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As filed with the Securities and Exchange Commission on December 29, 2014

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TRACON PHARMACEUTICALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**2836**	**34-2037594**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

8910 University Center Lane, Suite 700
San Diego, California 92122
(858) 550-0780
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Charles P. Theuer, M.D., Ph.D.
President and Chief Executive Officer
TRACON Pharmaceuticals, Inc.
8910 University Center Lane, Suite 700
San Diego, California 92122
(858) 550-0780
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Charles S. Kim, Esq. **Sean M. Clayton, Esq.** **Kristin E. VanderPas, Esq.** **Cooley LLP** **4401 Eastgate Mall** **San Diego, California 92121** **(858) 550-6000**	**Cheston J. Larson, Esq.** **Matthew T. Bush, Esq.** **Latham & Watkins LLP** **12670 High Bluff Drive** **San Diego, California 92130** **(858) 523-5400**

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, as amended (the "Securities Act"), check the following box. o

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. o

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. o

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934, as amended.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price[(1)]	Amount of registration fee[(1)]
Common Stock, $0.001 par value per share	$57,500,000	$6,682

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act. Includes the offering price of shares that the underwriters have the option to purchase to cover over-allotments, if any.

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 that 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.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS **SUBJECT TO COMPLETION, DATED DECEMBER 29, 2014**

TRACON Pharmaceuticals, Inc.

Shares

Common Stock

This is the initial public offering of common stock of TRACON Pharmaceuticals, Inc. We are offering shares of common stock. We estimate that the initial public offering price of our common stock will be between $ and $ per share.

Prior to this offering, there has been no public market for our common stock. We have filed an application for our common stock to be listed on The NASDAQ Global Market under the symbol "TCON."

Investing in our common stock involves risks. See the section entitled "Risk Factors" beginning on page 12.

	Per share	Total
Initial price to public	$	$
Underwriting discounts and commissions[(1)]	$	$
Proceeds, before expenses, to TRACON Pharmaceuticals, Inc.	$	$

(1) We refer you to the section entitled "Underwriting" for additional information regarding underwriting compensation.

Certain of our existing stockholders and their affiliated entities, including stockholders affiliated with our directors, have indicated an interest in purchasing up to $ million of shares of our common stock in this offering at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering. The underwriters will receive the same underwriting discount on any shares purchased by these entities as they will on any other shares sold to the public in this offering.

In addition, New Enterprise Associates 14, L.P., an existing stockholder, has indicated an interest in purchasing up to approximately $ of shares of our common stock at the initial public offering price in a proposed private placement that would close concurrently with this offering. This indication of interest is not a binding agreement or commitment to purchase, and we could determine to sell more, less or no shares to this stockholder and this stockholder could determine to purchase more, less or no shares in the proposed concurrent private placement. The underwriters will serve as placement agents for such concurrent private placement and receive a placement agent fee equal to a percentage of the total purchase price of the private placement shares, which percentage will be equal to the percentage discount the underwriters will receive on shares sold in this offering. The closing of this offering is not conditioned upon the closing of such concurrent private placement.

We have granted the underwriters a 30-day option to purchase up to an additional shares of common stock from us at the initial public offering price less the underwriting discounts and commissions.

We are an "emerging growth company" as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

None of the Securities and Exchange Commission, any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about , 2015.

Wells Fargo Securities **Stifel**

Needham & Company **Oppenheimer & Co.**

Prospectus dated , 2015.

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Neither we nor any of the underwriters has authorized anyone to provide you with information different from, or in addition to, that contained in this prospectus or any free writing prospectus prepared by or on behalf of us and to which we may have referred you in connection with this offering. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither we nor any of the underwriters is making an offer to sell or seeking offers to buy these securities in any jurisdiction where or to any person to whom the offer or sale is not permitted. The information in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock and the information in any free writing prospectus that we may provide you in connection with this offering is accurate only as of the date of that free writing prospectus. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information.

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

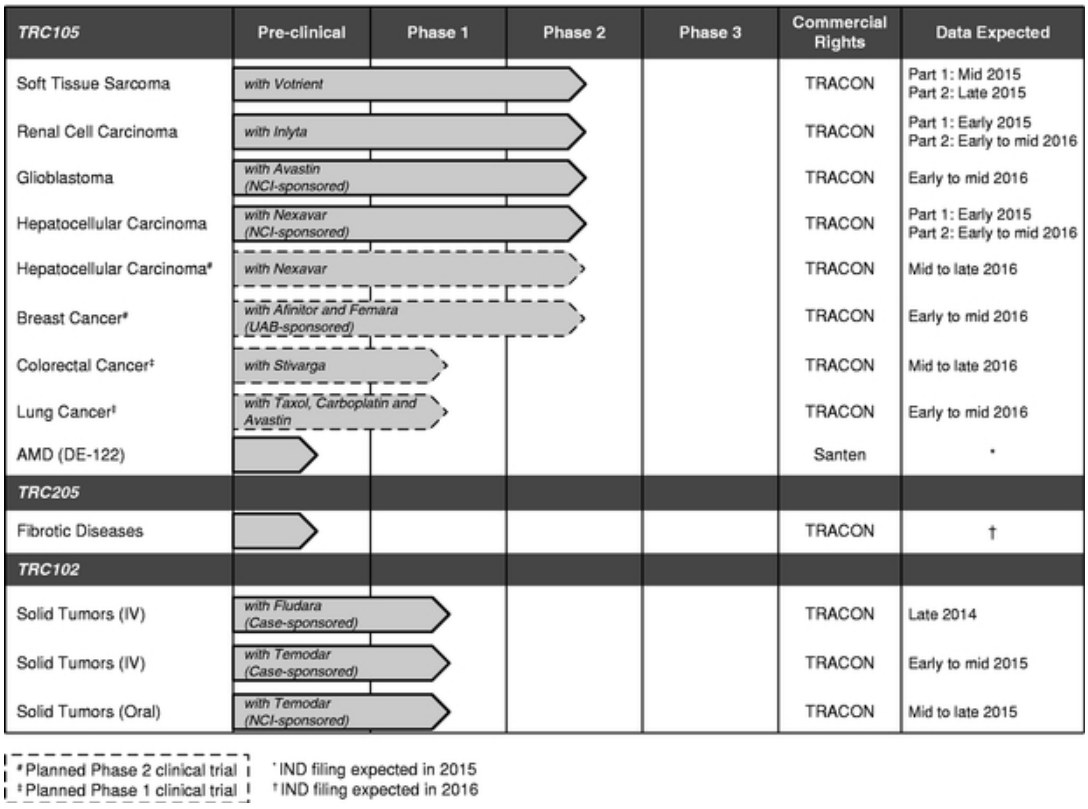
SUMMARY

This summary highlights information contained in other parts of this prospectus. Because it is only a summary, it does not contain all of the information that yo should consider before investing in shares of our common stock and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus. Unless the context requires otherwise, references in this prospectus to "TRACON," "we," "us" and "our" refer to TRACON Pharmaceuticals, Inc.

Overview

We are a clinical stage biopharmaceutical company focused on the development and commercialization of novel targeted therapeutics for cancer, age-related macular degeneration, or AMD, and fibrotic diseases. We are a leader in the field of endoglin biology and are using our expertise to develop antibodies that bind to th endoglin receptor. Endoglin is essential to angiogenesis, the process of new blood vessel formation, and a key contributor to the development of fibrosis, or tissue scarring. Our lead product candidate, TRC105, is an anti-endoglin antibody that is being developed for the treatment of multiple solid tumor types in combination wit inhibitors of the vascular endothelial growth factor, or VEGF, pathway. Our other product candidates are TRC205, an anti-endoglin antibody that is in preclinical development for the treatment of fibrotic diseases, and TRC102, a small molecule that is in clinical development for the treatment of lung cancer and glioblastoma. In March 2014, Santen Pharmaceutical Co., Ltd., or Santen, a global ophthalmology company, licensed from us exclusive worldwide rights to develop and commercializ our anti-endoglin antibodies for ophthalmology indications, including AMD. We retain global rights to develop and commercialize our anti-endoglin antibodies outside of the field of ophthalmology, as well as global rights to TRC102 in all indications.

The following chart summarizes key information regarding ongoing and planned development of our product candidate pipeline:



We operate a clinical development model that emphasizes capital efficiency. Our experienced clinical operations and regulatory affairs groups enable us to eliminate the cost associated with hiring contract research organizations to manage clinical, regulatory and database aspects of our Phase 1 and Phase 2 clinical trials. We have also collaborated with the National Cancer Institute, or NCI, which has selected TRC105 and TRC102 for federal funding of clinical development, as well as Case Western Reserve University, or Case Western. Under these collaborations, NCI has sponsored or is sponsoring seven completed or ongoing clinical trials of TRC105 and TRC102, and Case Western is sponsoring two ongoing clinical trials of TRC102. In addition, certain manufacturers of approved VEGF inhibitors that w are studying in combination with TRC105 have agreed to supply their drug at no cost for use in the applicable clinical trials.

The Endoglin Pathway: A Promising Approach to Treating Cancer, AMD and Fibrotic Diseases

We focus on developing antibodies that target the endoglin receptor. Endoglin is a protein that is overexpressed on endothelial cells, the cells that line the interio surface of blood vessels, when they experience hypoxia, which is a condition characterized by inadequate oxygen supply. Endoglin allows endothelial cells to proliferate in a hypoxic environment and is required for angiogenesis. These properties render endoglin an attractive target for the treatment of diseases that require angiogenesis, including cancer and AMD, especially in combination with VEGF inhibitors. Endoglin is also expressed on fibroblasts, the cells that mediate fibrosis, and is a key contributor to the development of fibrosis.

VEGF, like endoglin, is required for angiogenesis. Several anti-angiogenesis therapies that inhibit the VEGF pathway are currently marketed for the treatment c cancer or AMD, including Avastin (bevacizumab), Inlyta (axitinib), Nexavar (sorafenib), Sutent (sunitinib malate), Votrient (pazopanib), Eylea (aflibercept) and Lucentis (ranibizumab). VEGF inhibitors collectively represent more than $10.0 billion annually in reported global sales in oncology indications and more than $6.0 billion in ophthalmology indications. Although VEGF therapies have been clinically and commercially successful, nearly all cancer patients develop resistance t these therapies and many do not respond at the outset. This resistance results in continued unwanted angiogenesis and subsequent tumor growth and progression of AMD.

We believe the endoglin pathway serves as the dominant escape pathway that allows continued angiogenesis despite inhibition of the VEGF pathway. Preclinica studies indicate that endoglin expression promotes resistance to inhibitors of the VEGF pathway. These studies suggest that targeting the endoglin pathway in addition to the VEGF pathway is a more effective means to inhibit angiogenesis than targeting the VEGF pathway alone, particularly given the development of resistance to VEGF inhibitors.

Our Novel Anti-Endoglin Antibody Candidates

TRC105 for Oncology

Our lead anti-endoglin antibody, TRC105, binds to the endoglin receptor at a precise location to inhibit endothelial cell activation and angiogenesis. Separate trials assessing the combination of TRC105 and the VEGF inhibitors Avastin or Inlyta demonstrated durable anti-tumor activity in advanced cancer patients whose cancer had progressed on prior VEGF inhibitor treatment. Specifically, in a Phase 1/2 clinical trial of TRC105 with Avastin that primarily enrolled patients with colorectal and ovarian cancer whose cancer had progressed on prior Avastin treatment, of 25 evaluable patients treated previously with VEGF inhibitors, 16 patients (64%) had stable disease, of whom 10 patients (40%) had partial responses. Six responding patients treated with prior VEGF inhibitors (24%) remained without cance progression longer than during their prior VEGF inhibitor therapy, and were therefore considered to have durable

responses. Additionally, in the ascending dose portion of a Phase 2 clinical trial of TRC105 with Inlyta in patients with renal cell carcinoma, 10 of the 17 patients (59%) demonstrated partial responses. A Phase 2 randomized clinical trial of TRC105 with Avastin in patients with all histologies of renal cell carcinoma, which is being sponsored by NCI and included patients previously treated with up to four VEGF inhibitors, closed enrollment after an interim analysis concluded the trial was unlikely to achieve the endpoint of a 100% increase in progression-free survival. We are sponsoring a Phase 2 randomized trial of TRC105 with Inlyta in patients with renal cell carcinoma with only clear cell histology who were treated with only one prior VEGF inhibitor. The primary endpoint of this trial is a 50% increase in progression-free survival, which is a more typical endpoint for Phase 2 oncology trials. We expect topline data in both Phase 2 renal cell carcinoma trials by early to mid 2016.

TRC105 is also being studied in combination with VEGF inhibitors in three additional Phase 2 clinical trials for soft tissue sarcoma, glioblastoma and hepatocellular carcinoma. In the ascending dose portion of a Phase 2 clinical trial of TRC105 with Nexavar in patients with hepatocellular carcinoma, three of the 13 patients (23%) treated at recommended Phase 2 doses of TRC105 (10 mg/kg or 15 mg/kg) demonstrated partial responses, in a setting where the expected partial response rate of Nexavar alone is 2%. In the ascending dose portion of a Phase 2 clinical trial of TRC105 with Votrient, several patients have demonstrated tumor reductions, and a patient with angiosarcoma has an ongoing complete response to treatment. We are also planning to conduct additional clinical trials of TRC105 in combination with existing treatments, including a Phase 2 clinical trial in patients with breast cancer, a Phase 1 clinical trial in patients with colorectal cancer and a Phase 1 clinical trial in patients with lung cancer. We expect topline data in each of our ongoing clinical trials by late 2015 to mid 2016 and, if results are positive, we expect to initiate Phase 3 clinical trials for one or more initial indications of soft tissue sarcoma, renal cell carcinoma, glioblastoma and hepatocellular carcinoma by the end of 2016. We consider these initial indications attractive because the endpoints for regulatory approval may be attained more quickly than the endpoints for other indications.

DE-122 for Wet Age-Related Macular Degeneration

Wet AMD, the leading cause of blindness in the Western world, is caused by abnormal angiogenesis that results in fluid leaking into the retina. We believe that by targeting the endoglin pathway concurrently with the VEGF pathway, our anti-endoglin antibodies may enhance the ability of VEGF inhibitors to inhibit angiogenesis and improve the treatment of wet AMD.

In March 2014, Santen licensed from us exclusive worldwide rights to develop and commercialize our anti-endoglin antibodies, including TRC105 and TRC205, for ophthalmology indications. Santen is expected to file an Investigational New Drug application, or IND, for the development of TRC105 for ophthalmology indications under the name DE-122.

TRC205 for Fibrotic Diseases

Preclinical data from Tufts University identified increased endoglin expression on fibroblasts in patients with heart failure and demonstrated that inhibiting endoglin limits transforming growth factor beta, or TGF-b, signaling and production of fibrotic proteins by human cardiac fibroblasts. Inhibiting endoglin function decreased fibrosis in models of cardiac and liver fibrosis. We are developing TRC205, a humanized, deimmunized anti-endoglin antibody, for the treatment of fibrotic diseases. We expect to initiate clinical development of TRC205 in fibrotic diseases in 2016.

TRC102: Small Molecule Inhibitor of DNA Repair for Cancer Treatment

We are developing TRC102 to reverse resistance to specific chemotherapeutics by inhibiting base-excision repair, or BER. BER is a complex and fundamental cellular process used by cancer cells to repair the DNA damage caused by chemotherapeutics, including Temodar (temozolomide), Alimta (pemetrexed) and Fludara (fludarabine), which are approved for the treatment of glioblastoma, lung cancer and lymphoma, respectively.

We completed a Phase 1 clinical trial of TRC102 in combination with Alimta, which demonstrated anti-tumor activity. Patients who received TRC102 and Alimta demonstrated reduction in tumor masses, including partial response, and lung cancer patients with squamous histology, a tumor type resistant to Alimta treatment, demonstrated stable disease. TRC102 is currently being studied in combination with the approved chemotherapy drugs Temodar and Fludara in Phase 1 clinical trials. Based on correspondence with NCI in June 2014, we expect NCI to sponsor a Phase 1/2 clinical trial of TRC102 with Temodar in patients with glioblastoma, a Phase 1 clinical trial of TRC102 with Alimta and cisplatin in patients with mesothelioma, a Phase 2 clinical trial of TRC102 with Alimta in patients with lung cancer and a Phase 1 clinical trial of TRC102 with Alimta, cisplatin and radiation therapy in patients with lung cancer.

Our Strategy

Our goal is to be a leader in the development of targeted therapies for patients with cancer and other diseases of high unmet medical need. As key components o our strategy, we intend to:

- ***Focus clinical development of TRC105 on initial oncology indications with potential reduced time to regulatory approval.*** We plan to continue Phase 2 development of TRC105 in combination with approved VEGF inhibitors in our initial oncology indications of soft tissue sarcoma, renal cell carcinoma, glioblastoma and hepatocellular carcinoma, each of which is associated with reduced time to achieve the endpoints necessary for regulatory approval, with the goal of being ready to initiate one or more Phase 3 clinical trials by the end of 2016.

- ***Expand development program for TRC105 into large market oncology indications.*** To maximize the commercial opportunity of TRC105, we intend to continue developing TRC105 in additional oncology indications with large patient populations.

- ***Continue to leverage our collaborative relationship with NCI to accelerate and broaden development of TRC105 and TRC102.*** We anticipate that NCI will complete ongoing Phase 2 clinical trials of TRC105 and may initiate other Phase 2 clinical trials in addition to the Phase 2 clinical trials of TRC105 that we are sponsoring. Based on correspondence with NCI in June 2014, we expect that Phase 2 clinical trials of TRC102 will be completed with NCI funding. If merited by Phase 2 data, we expect to fund initial Phase 3 clinical trials of TRC105 and TRC102 and, based on NCI's past course of conduct with similarly situated pharmaceutical companies in which it has sponsored pivotal clinical trials following receipt of positive Phase 2 data we anticipate that NCI will sponsor Phase 3 clinical trials in additional indications.

- ***Support Santen during preclinical development to advance DE-122 into clinical trials in wet AMD.*** We are using our expertise in the development o anti-endoglin antibodies to assist Santen in the manufacture and preclinical testing of DE-122.

- ***Continue preclinical studies and initiate clinical development of TRC205 in fibrotic diseases.*** TRC205, a humanized and deimmunized anti-endoglin antibody, is our lead product candidate for the treatment of fibrotic diseases, including nonalcoholic

steatohepatitis, or NASH, and idiopathic pulmonary fibrosis, or IPF, each of which presents a large commercial opportunity and has no approved therapies in the United States.

- ***Leverage internal capabilities to advance other programs efficiently and cost effectively through clinical development.*** We have assembled a management team that has contributed to the approval of seven therapeutics, including VEGF inhibitors in cancer and in AMD, and that has core competencies relating to clinical operations and regulatory affairs. We expect to continue to benefit from these capabilities through the development of additional early and mid-stage assets, both from internal programs and potential in-licensed programs.

Risks Associated with Our Business

Our business is subject to numerous risks, as more fully described in the section entitled "Risk Factors" immediately following this prospectus summary. You should read these risks before you invest in our common stock. We may be unable, for many reasons, including those that are beyond our control, to implement our business strategy. In particular, risks associated with our business include:

- We have incurred losses from operations since our inception and anticipate that we will continue to incur substantial operating losses for the foreseeab future. We may never achieve or sustain profitability.
- We will require substantial additional financing to achieve our goals, and failure to obtain additional financing when needed could force us to delay, limit, reduce or terminate our drug development efforts.
- We are heavily dependent on the success of our lead product candidate TRC105, which is in a later stage of development than our other product candidates. We cannot give any assurance that TRC105 will successfully complete clinical development or receive regulatory approval, which is necessary before it can be commercialized.
- Clinical development is a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. Failure can occur at any stage of clinical development.
- Delays in clinical trials are common and have many causes, and any delay could result in increased costs to us and jeopardize or delay our ability to obtain regulatory approval and commence product sales.
- The regulatory approval processes of the U.S. Food and Drug Administration, or FDA, and comparable foreign authorities are lengthy, time consumin and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantiall harmed.
- We depend in part on NCI to advance clinical development of TRC105 and TRC102 and also depend in part on Case Western to advance clinical development of TRC102.
- We are dependent on our license agreement with Santen to develop and commercialize our anti-endoglin antibodies, including DE-122, in the field of ophthalmology. The failure to maintain our agreement with Santen or the failure of Santen to perform its obligations under the agreement, could negatively impact our business.
- We may be unable to adequately maintain and protect our intellectual property rights, which could impair the advancement of our product pipeline and our commercial opportunities.

- We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are more advanced or effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our product candidates.

Concurrent Private Placement

New Enterprise Associates 14, L.P., or NEA, an existing stockholder, has indicated an interest in purchasing up to approximately $ of shares of our common stock at the initial public offering price in a proposed private placement that would close concurrently with this offering. This indication of interest is not a binding agreement or commitment to purchase, and we could determine to sell more, less or no shares to this stockholder and this stockholder could determine to purchase more, less or no shares in the proposed concurrent private placement. The shares that may be sold in the proposed concurrent private placement will constitute restricted securities under the Securities Act of 1933, as amended. The underwriters will serve as placement agents for such concurrent private placement and will receive a placement agent fee equal to a percentage of the total purchase price of the private placement shares, which percentage will be equal to the percentage discount the underwriters will receive on shares sold in this offering. The closing of this offering is not conditioned upon the closing of such concurrent private placement.

Corporate Information

We were incorporated in the state of Delaware in October 2004 as Lexington Pharmaceuticals, Inc. and we subsequently changed our name to TRACON Pharmaceuticals, Inc. in March 2005, at which time we relocated to San Diego, California. Our principal executive offices are located at 8910 University Center Lane Suite 700, San Diego, California 92122, and our telephone number is (858) 550-0780. Our corporate website is www.traconpharma.com. The information on, or that can be accessed through, our website is not part of this prospectus, and you should not rely on any such information in making the decision whether to purchase our common stock.

We have obtained registered trademarks for TRACON® and TRACON PHARMA® in the United States. This prospectus contains references to our trademarks and to trademarks belonging to other entities. Solely for convenience, trademarks and trade names referred to in this prospectus, including logos, artwork and other visual displays, may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent unde applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies' trade names or trademarks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, enacted in April 2012. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a

result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certai conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including without limitation, (1) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (2) complying 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, known as the auditor discussion and analysis.

We will remain an "emerging growth company" until the earliest of (1) the last day of the fiscal year in which we have total annual gross revenues of $1.0 billio or more, (2) the last day of our fiscal year following the fifth anniversary of the date of the closing of this offering, (3) the date on which we have issued more than $1.0 billion in non-convertible debt during the previous three years or (4) the date on which we are deemed to be a large accelerated filer under the rules of the U.S. Securities and Exchange Commission, or SEC, with at least $700.0 million of outstanding equity securities held by non-affiliates.

The Offering

Common stock offered by us in this offering	shares
Common stock to be sold by us to NEA in the concurrent private placement	NEA has indicated an interest in purchasing up to approximately $ of shares of our common stock at a price per share equal to the initial public offering price (or shares based on the assumed initial public offering price of $ per share) in a proposed private placement that would close concurrently with this offering. See "Certain Relationships and Related Party Transactions—Concurrent Private Placement."
Common stock to be outstanding after this offering and the concurrent private placement	shares
Option to purchase additional shares	The underwriters have an option for a period of 30 days to purchase up to additional shares of our common stock.
Use of proceeds	The net proceeds from this offering will be approximately $ million, or approximately $ million if the underwriters exercise their optic to purchase additional shares in full, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. In addition, we expect to receive net proceeds of $ from the sale of shares of common stock to NEA in the concurrent private placement, afte deducting estimated placement agent fees and expenses payable by us. We intend to use the net proceeds of this offering: (1) to fund our ongoing Phase clinical trials of TRC105 in combination with a VEGF inhibitor and additional Phase 1 or Phase 2 clinical trials of TRC105 in large market oncology indications and to obtain the supply of TRC105 and initiate clinical and regulatory activities for our anticipated initial Phase 3 clinical trials; (2) to provide clinical supply of TRC102 for and to provide support for NCI's conduct of our four anticipated Phase 1 or Phase 2 clinical trials of TRC102 in combination with chemotherapeutics; (3) to fund our preclinical studies of TRC205 in non-cardiac and cardiac models of fibrosis and obtain the supply of TRC205 for our anticipated Phase 1 clinical trials; and (4) the remainder for working capital and other general corporate purposes, including funding the costs of operating as a public company. We expect to use the net proceeds from the concurrent private placement for additional working capital and general corporate purposes. See "Use of Proceeds."

Risk factors	You should read the "Risk Factors" section of this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Proposed NASDAQ Global Market symbol	TCON

The number of shares of our common stock to be outstanding after this offering and the concurrent private placement is based on 30,932,596 shares of common stock outstanding as of September 30, 2014, and excludes:

- 2,743,997 shares of common stock issuable upon the exercise of outstanding stock options as of September 30, 2014, at a weighted-average exercise price of $0.35 per share;
- 150,000 shares of common stock issuable upon the exercise of outstanding warrants as of September 30, 2014, at an exercise price of $2.00 per share;
- shares of common stock reserved for future issuance under our 2015 employee stock purchase plan, or the ESPP, which will become effective upon the execution and delivery of the underwriting agreement for this offering; and
- shares of common stock reserved for future issuance under our 2015 equity incentive plan, or the 2015 plan, which will become effective upon the execution and delivery of the underwriting agreement for this offering, plus 1,368,220 shares of common stock reserved for issuance under our 2011 equity incentive plan, or the 2011 plan, as of September 30, 2014, which shares will be added to the shares reserved under the 2015 plan upon its effectiveness.

Unless otherwise indicated, all information contained in this prospectus assumes:

- the conversion of all our outstanding redeemable convertible preferred stock as of September 30, 2014 into an aggregate of 24,650,273 shares of common stock, which will occur automatically in connection with the closing of this offering;
- the adjustment of outstanding warrants to purchase 150,000 shares of our redeemable convertible preferred stock into warrants to purchase 150,000 shares of common stock, which will occur automatically in connection with the closing of this offering;
- no exercise by the underwriters of their option to purchase up to an additional shares of our common stock from us to cover over-allotments, if any;
- that the initial public offering price of our shares of common stock will be $ per share (which is the midpoint of the estimated price range set forth on the cover page of this prospectus);
- the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the closing of this offering; and
- a 1-for- reverse stock split of our common stock to be effected prior to the closing of this offering.

Certain of our existing stockholders and their affiliated entities, including stockholders affiliated with our directors, have indicated an interest in purchasing up to $ million of shares of our common stock in this offering at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering. The underwriters will receive the same underwriting discount on any shares purchased by these entities as they will on any other shares sold to the public in this offering.

Summary Financial Data

The following tables set forth a summary of our financial data as of, and for the periods ended on, the dates indicated. The summary statement of operations dat for the years ended December 31, 2012 and 2013 are derived from our audited financial statements and related notes appearing elsewhere in this prospectus. The summary statement of operations data for the nine months ended September 30, 2013 and 2014 and balance sheet data as of September 30, 2014 are derived from our unaudited financial statements and related notes appearing elsewhere in this prospectus. The unaudited financial statements have been prepared on a basis consistent with our audited financial statements included in this prospectus and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly state our financial position as of September 30, 2014 and results of operations for the nine months ended September 30, 2013 and 2014. You should read this data together with our financial statements and related notes appearing elsewhere in this prospectus and the information included in sections of this prospectus entitled "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our historical results are not necessarily indicative of results that may be expected in the future and results of interim periods are not necessarily indicative of the results fo the entire year.

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2013	2013	2014
			(unaudited)	
	(in thousands, except share and per share data)			
Statement of Operations Data:				
Collaboration revenue	$ —	$ —	$ —	$ 2,558
Operating expenses:				
Research and development	3,777	6,076	4,316	5,090
General and administrative	1,449	1,484	1,096	1,394
Total operating expenses	5,226	7,560	5,412	6,484
Loss from operations	(5,226)	(7,560)	(5,412)	(3,926)
Other income (expense)	298	(148)	(84)	(334)
Net loss	(4,928)	(7,708)	(5,496)	(4,260)
Accretion to redemption value of redeemable convertible preferred stock	(216)	(248)	(183)	(202)
Net loss attributable to common stockholders	$ (5,144)	$ (7,956)	$ (5,679)	$ (4,462)
Net loss per share attributable to common stockholders, basic and diluted[(1)]	$ (0.82)	$ (1.27)	$ (0.91)	$ (0.71)
Weighted-average shares outstanding, basic and diluted[(1)]	6,249,859	6,249,859	6,249,859	6,250,062
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)[(1)]		$ (0.43)		$ (0.23)
Pro forma weighted-average shares outstanding, basic and diluted (unaudited)[(1)]		17,760,132		18,999,706

(1) See Note 1 to our financial statements included elsewhere in this prospectus for an explanation of the methods used to calculate the historical and pro forma net loss per share, basic and diluted, and the number of shares used in the computation of these per share amounts.

	As of September 30, 2014		
	Actual	Pro Forma[1]	Pro Forma As Adjusted[2][3]
		(unaudited) (in thousands)	
Balance Sheet Data:			
Cash	$ 39,207	$	$
Total assets	41,306		
Working capital	27,411		
Preferred stock warrant liabilities	235		
Long-term debt, less current portion	5,455		
Redeemable convertible preferred stock	49,801		
Accumulated deficit	(31,631)		
Total stockholders' deficit	(29,649)		

(1) Pro forma amounts reflect (i) the conversion of all our outstanding shares of redeemable convertible preferred stock as of September 30, 2014 into an aggregate of 24,650,273 shares of our common stock, and the resultant reclassification of our redeemable convertible preferred stock to stockholders' deficit and (ii) the adjustment of our outstanding warrants to purchas redeemable convertible preferred stock into warrants to purchase 150,000 shares of our common stock, and the resultant reclassification of our preferred stock warrant liabilities to additional paid-in capital, a component of stockholders' deficit, all of which will occur in connection with the closing of this offering.

(2) Pro forma as adjusted amounts reflect (i) the pro forma conversion adjustments described in footnote (1) above, (ii) the sale of shares of our common stock in this offering at th assumed initial public offering price of $ per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (iii) the sale of $ of shares of our common stock at a price per share equal to the initial public offering price (or shares based on the assumed initial public offering pric of $ per share) in the concurrent private placement, after deducting estimated placement agent fees and expenses payable by us. Because we have not entered into any definitive agreements with NEA related to the concurrent private placement, there can be no guarantee that the concurrent private placement will take place or that the terms of the concurrent private placement will be consistent with those assumed in this prospectus.

(3) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) each of cash, total assets, working capital and total stockholders equity (deficit) by $ million, assuming the number of shares offered by us as stated on the cover page of this prospectus remain unchanged and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase (decrease) each of cash, total assets, working capital and total stockholders' equity (deficit) by $ million, assuming th assumed initial public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this prospectus, including our financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our common stock. If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially, the trading price of our common stock could decline and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Risks Related to our Financial Position and Need for Additional Capital

We have incurred losses from operations since our inception and anticipate that we will continue to incur substantial operating losses for the foreseeable future. We may never achieve or sustain profitability.

We are a clinical stage company with limited operating history. All of our product candidates, including our most advanced product candidate, TRC105, will require substantial additional development time and resources before we would be able to apply for or receive regulatory approvals and begin generating revenue from product sales. We have incurred losses from operations in each year since our inception, including net losses of $4.9 million and $7.7 million for fiscal years 2012 and 2013, respectively. In addition, for the nine months ended September 30, 2014, we incurred a net loss of $4.3 million. As of September 30, 2014, we had an accumulated deficit of $31.6 million.

We expect to continue to incur substantial and increased expenses as we expand our development activities and advance our clinical programs, particularly with respect to our planned clinical development for TRC105. We also expect an increase in our expenses associated with creating additional infrastructure to support operations as a public company. As a result of the foregoing, we expect to continue to incur significant and increasing losses and negative cash flows for the foreseeable future.

To become and remain profitable, we or our partners must succeed in developing our product candidates, obtaining regulatory approval for them, and manufacturing, marketing and selling those products for which we or our partners may obtain regulatory approval. We or they may not succeed in these activities, and we may never generate revenue from product sales that is significant enough to achieve profitability. Because of the numerous risks and uncertainties associated with pharmaceutical and biological product development, we are unable to predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. In addition, our expenses could increase if we are required by the FDA or comparable foreign regulatory authorities to perform studies or trials in addition to those currently expected, or if there are any delays in completing our clinical trials or the development of any of our product candidates. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become or remain profitable would depress our market value and could impair our ability to raise capital, expand our business, develop other product candidates or continue our operations. A decline in the value of our company could cause you to lose all or part of your investment.

We will require substantial additional financing to achieve our goals, and failure to obtain additional financing when needed could force us to delay, limit, reduce or terminate our drug development efforts.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is expensive. We expect our development expenses to substantially increase in connection with our ongoing activities, particularly as we advance our clinical programs, including our planned and future clinical trials of TRC105.

We estimate that we will receive net proceeds of approximately $ million (or approximately $ million if the underwriters exercise in full their option to purchase additional shares) from the sale of the shares of common stock offered by us in this offering, excluding any proceeds from the concurrent private placement, based on the assumed initial public offering price of $ per share, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We also expect to receive net proceeds of $ from the sale by us of shares of our common stock in the concurrent private placement, for an aggregate amount to be raised by us in this offering and the concurrent private placement of $, based on the assumed initial public offering price of $ per share, and after deducting the estimated placement agent fees and estimated offering expenses payable by us. Because we have not entered into any definitive agreements with NEA related to the concurrent private placement, there can be no guarantee that the concurrent private placement will take place or that the terms of the concurrent private placement will be consistent with those assumed in this prospectus. As of September 30, 2014, we had cash of $39.2 million. Based upon our current operating plan, we believe that the net proceeds from this offering and the concurrent private placement, together with our existing cash, will enable us to fund our operating expenses and capital requirements for at least the next 18 months. Regardless of our expectations as to how long the net proceeds from this offering and the concurrent private placement will fund our operations, changing circumstances beyond our control may cause us to consume capital more rapidly than we currently anticipate. For example, our clinical trials may encounter technical, enrollment or other difficulties or we could encounter difficulties obtaining clinical trial material that could increase our development costs more than we expect. In any event, we will require additional capital prior to completing Phase 3 development of, filing for regulatory approval for, or commercializing, TRC105 or any of our other product candidates.

Attempting to secure additional financing may divert our management from our day-to-day activities, which may adversely affect our ability to develop our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we are unable to raise additional capital when required or on acceptable terms, we may be required to significantly delay, scale back or discontinue the development or commercialization of our product candidates or otherwise significantly curtail, or cease, operations. If we are unable to pursue or forced to delay our planned drug development efforts due to lack of financing, it would have a material adverse effect on our business, operating results and prospects.

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

We may seek additional capital through a variety of means, including through private and public equity offerings and debt financings. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a stockholder. Debt financing, if available, may involve agreements that include covenants limiting

or restricting our ability to take certain actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through licensing or collaboration arrangements with third parties, we may have to relinquish valuable rights to our product candidates, or grant licenses on terms that are not favorable to us.

Our loan and security agreement with SVB contains restrictions that limit our flexibility in operating our business. We may be required to make a prepayment or repay the outstanding indebtedness earlier than we expect if a prepayment event or an event of default occurs, including a material adverse change with respect to us, which could have a materially adverse effect on our business.

In November 2013, we entered into a loan and security agreement with SVB and borrowed $2.5 million under this credit facility. In June 2014, the agreement was amended to provide up to an additional $7.5 million in borrowing availability all of which was drawn prior to September 30, 2014. The agreement, as amended, contains various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- convey, sell, lease or otherwise dispose of certain parts of our business or property;
- change the nature of our business;
- liquidate or dissolve;
- enter into certain change in control or acquisition transactions;
- incur or assume certain debt;
- grant certain types of liens on our assets;
- maintain certain collateral accounts;
- pay dividends or make certain distributions to our stockholders;
- make certain investments;
- enter into material transactions with affiliates;
- make or permit certain payments on subordinate debt; and
- become an "investment company" as defined under the Investment Company Act of 1940, as amended.

The restrictive covenants of the agreement could cause us to be unable to pursue business opportunities that we or our stockholders may consider beneficial.

A breach of any of these covenants could result in an event of default under the agreement. An event of default will also occur if, among other things, a material adverse change in our business, operations or condition occurs, which could potentially include negative results in clinical trials, or a material impairment of the prospect of our repayment of any portion of the amounts we owe under the agreement occurs. In the case of a continuing event of default under the agreement, SVB could elect to declare all amounts outstanding to be immediately due and payable, proceed against the collateral in which we granted SVB a security interest under the agreement, or otherwise exercise the rights of a secured creditor. Amounts outstanding under the agreement are secured by all of our existing and future assets, excluding intellectual property, which is subject to a negative pledge arrangement.

Risks Related to Clinical Development and Regulatory Approval of Our Product Candidates

We are heavily dependent on the success of our lead product candidate TRC105, which is in a later stage of development than our other product candidates. We cannot give any assurance that TRC105 will successfully complete clinical development or receive regulatory approval, which is necessary before it can be commercialized.

Our business and future success is substantially dependent on our ability to successfully develop, obtain regulatory approval for, and commercialize our lead product candidate TRC105, which is currently in Phase 2 clinical trials for the treatment of multiple solid tumor types. Any delay or setback in the development of any of our product candidates, particularly TRC105, could adversely affect our business and cause our stock price to decline. We cannot assure you that our planned clinical development for TRC105 will be completed in a timely manner, or at all, or that we or our partner Santen or any additional future partners, will be able to obtain approval for TRC105 from the FDA or any foreign regulatory authority.

Clinical development is a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. Failure can occur at any stage of clinical development.

Clinical development is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. For example, enrollment was closed for two of our Phase 2 clinical trials sponsored by NCI following interim analyses that did not meet the requirements for continuing enrollment. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of subsequent clinical trials. In particular, the positive results observed in the Phase 1 and 2 clinical trials of TRC105 do not ensure that the ongoing or planned clinical trials of TRC105 will demonstrate similar results. In addition, further interim results or the final results from these trials could be negative.

Even if our product candidates demonstrate favorable results in ongoing or planned Phase 1 and 2 clinical trials, many product candidates fail to show desired safety and efficacy traits in late-stage clinical trials despite having progressed through earlier trials. In addition to the inherent safety and efficacy traits of our product candidates, clinical trial failures may result from a multitude of factors including flaws in trial design, manufacture of clinical trial material, dose selection and patient enrollment criteria. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Based upon negative or inconclusive results, we or our partners may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. In addition, data obtained from trials and studies are susceptible to varying interpretations, and regulators may not interpret our data as favorably as we do, which may delay, limit or prevent regulatory approval.

If TRC105 or any other product candidate is found to be unsafe or lack efficacy, we will not be able to obtain regulatory approval for it and our business would be materially harmed. For example, if the results of ongoing or planned Phase 1 and 2 clinical trials of TRC105 demonstrate unexpected safety issues or do not achieve the primary efficacy endpoints, as applicable, the prospects for approval of TRC105 as well our stock price would be materially and adversely affected.

Delays in clinical trials are common and have many causes, and any delay could result in increased costs to us and jeopardize or delay our ability to obtain regulatory approval and commence product sales.

We may experience delays in clinical trials of our product candidates. Our ongoing and planned clinical trials may not begin on time, have an effective design, enroll a sufficient number of patients or be completed on schedule, if at all. Our clinical trials can be delayed for a variety of reasons, including:

- inability to raise funding necessary to initiate or continue a trial;
- delays in obtaining regulatory approval to commence a trial;
- delays in reaching agreement with the FDA on final trial design;
- adverse findings in toxicology studies, including chronic toxicology studies;
- imposition of a clinical hold for safety reasons or following an inspection of our clinical trial operations or trial sites by the FDA or other regulatory authorities;
- delays in reaching agreement on acceptable terms with prospective clinical trial sites;
- delays in obtaining required institutional review board approval at each site;
- delays in recruiting suitable patients to participate in a trial;
- delays in having patients complete participation in a trial or return for post-treatment follow-up;
- clinical sites dropping out of a trial to the detriment of enrollment;
- time required to add new clinical sites; or
- delays by our contract manufacturers or other third parties to produce and deliver sufficient supply of clinical trial materials.

If initiation or completion of our ongoing or planned clinical trials are delayed for any of the above reasons or other reasons, our development costs may increase, our approval process could be delayed and our ability to commercialize our product candidates could be materially harmed, which could have a material adverse effect on our business.

Our product candidates may cause adverse events or have other properties that could delay or prevent their regulatory approval or limit the scope of any approved label or market acceptance.

Adverse events, or AEs, caused by our product candidates or other potentially harmful characteristics of our product candidates could cause us, our partners, including NCI or other third party clinical trial sponsors, clinical trial sites or regulatory authorities to interrupt, delay or halt clinical trials and could result in the denial of regulatory approval.

Phase 1 or Phase 2 clinical trials of TRC105 and TRC102 conducted to date have generated AEs related to the study drug, some of which have been serious. The most common AEs identified to date and related to TRC105 have been anemia, dilated small vessels in the skin and mucosal membranes (which may result in nosebleeds and bleeding of the gums), headache, fatigue and gastrointestinal and other symptoms during the initial infusion of TRC105. The most common AE identified in our clinical trials of TRC102 has been anemia. While we have not observed an exacerbation of side effects commonly associated with VEGF inhibitors in clinical trials of TRC105 in combination with a VEGF inhibitor, it is possible that future trials, including larger and lengthier Phase 3 clinical trials, may show this effect due to both drugs acting to inhibit angiogenesis simultaneously. Because our development and regulatory approval strategy

for TRC105 is focused on combining TRC105 with VEGF inhibitors, if we encountered safety issues associated with combining TRC105 with VEGF inhibitors, it would be a significant setback for our development program and our ability to obtain regulatory approval for TRC105 may be adversely impacted.

Further, if any of our approved products cause serious or unexpected side effects after receiving market approval, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw their approval of the product or impose restrictions on its distribution;
- regulatory authorities may require the addition of labeling statements, such as warnings or contraindications;
- we may be required to change the way the product is administered or conduct additional clinical trials;
- we could be sued and held liable for harm caused to patients; or
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product candidate and could substantially increase the costs of commercializing our product candidates.

The regulatory approval processes of the FDA and comparable foreign authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.

The time required to obtain approval by the FDA and comparable foreign authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. For example, we cannot guarantee that for certain oncology indications where the FDA has traditionally granted approval to therapies that can demonstrate progression-free survival, the agency will not later require us to demonstrate overall survival, which would greatly extend the time and increase the capital required to complete clinical development. We have not obtained regulatory approval for any product candidate, and it is possible that none of our existing product candidates or any product candidates we may seek to develop in the future will ever obtain regulatory approval.

Our product candidates could fail to receive regulatory approval for many reasons, including the following:

- the FDA or comparable foreign regulatory authorities may disagree with the design, scope or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA or comparable foreign regulatory authorities that a product candidate is safe and effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA or comparable foreign regulatory authorities for approval;

- we may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- the FDA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected from clinical trials of our product candidates may not be sufficient to support the submission of a Biologics License Application, or BLA, or a New Drug Application, or NDA, or other submission or to obtain regulatory approval in the United States or elsewhere;
- the FDA or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third party manufacturers with which we contract for clinical and commercial supplies;
- the FDA or comparable foreign regulatory authorities may fail to approve our validation methods for detecting TRC105 serum levels and antibodies to TRC105 and assessing TRC105 activity in a biologic release assay; and
- the approval policies or regulations of the FDA or comparable foreign regulatory authorities may change significantly in a manner rendering our clinical data insufficient for approval.

This lengthy approval process, as well as the unpredictability of future clinical trial results, may result in our failing to obtain regulatory approval to market TRC105 or our other product candidates, which would harm our business, results of operations and prospects significantly.

In addition, even if we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may not approve the price we intend to charge for our products, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Any of the foregoing scenarios could harm the commercial prospects for our product candidates. For example, we anticipate that if we were to obtain regulatory approval for TRC105 in some or all of the initial oncology indications we are pursuing, we or our partners such as NCI would still need to conduct additional Phase 3 clinical trials in order to obtain approval for additional indications and expand TRC105's market potential.

We have not previously submitted a BLA or an NDA or any similar drug approval filing to the FDA or any comparable foreign authority for any product candidate, and we cannot be certain that any of our product candidates will be successful in clinical trials or receive regulatory approval. Further, our product candidates may not receive regulatory approval even if they are successful in clinical trials. If we do not receive regulatory approvals for our product candidates, we may not be able to continue our operations. Even if we successfully obtain regulatory approvals to market one or more of our product candidates, our revenue will be dependent, to a significant extent, upon the size of the markets in the territories for which we gain regulatory approval. If the markets for patients or indications that we are targeting are not as significant as we estimate, we may not generate significant revenue from sales of such products, if approved.

We may not receive Fast Track designation for our product candidates from the FDA, or Fast Track designation may not actually lead to a faster development or regulatory review or approval process.

We intend to seek Fast Track designation for our eligible product candidates. Fast track designation provides increased opportunities for sponsor meetings with the FDA during preclinical and clinical development, in addition to the potential for rolling review once a marketing application is filed. A new drug or biologic is eligible for Fast Track designation if it is intended to treat a serious or life-threatening disease or condition and the drug demonstrates the potential to address unmet medical needs for the disease or condition. The FDA has broad discretion whether or not to grant this designation, and even if we believe a particular product candidate is eligible for this designation, we cannot assure you that the FDA will grant it. Even if our product candidates receive Fast Track designation, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may withdraw Fast Track designation if it believes that the designation is no longer supported by data from our clinical development program.

We may be unsuccessful in our anticipated efforts to obtain orphan drug designation from the FDA for TRC105 for the treatment of soft tissue sarcoma and glioblastoma and for TRC102 for the treatment of glioblastoma and mesothelioma, and if we are unable to obtain orphan drug designation our regulatory and commercial prospects may be negatively impacted.

The FDA grants orphan designation to drugs that are intended to treat rare diseases with fewer than 200,000 patients in the United States or that affect more than 200,000 persons but are not expected to recover the costs of developing and marketing a treatment drug. Orphan drugs do not require prescription drug user fees with a marketing application, may qualify the drug development sponsor for certain tax credits, and may be eligible for a market exclusivity period of seven years. We cannot guarantee that we will be able to receive orphan drug status from the FDA for any of our product candidates. If we are unable to secure orphan drug designation, our regulatory and commercial prospects may be negatively impacted.

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

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

Obtaining foreign regulatory approvals and compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries. If we fail to comply with the regulatory requirements in international markets and/or receive applicable marketing approvals,

our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed.

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

Any regulatory approvals that we receive for our product candidates will require surveillance to monitor the safety and efficacy of the product candidate. The FDA may also require a Risk Evaluation and Mitigation Strategy, or REMS, in order to approve our product candidates, which could entail requirements for a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. In addition, if the FDA or a comparable foreign regulatory authority approves our product candidates, the manufacturing processes, labeling, packaging, distribution, AE reporting, storage, advertising, promotion, import, export and recordkeeping for our product candidates will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, establishment registration and drug listing, as well as continued compliance with regulatory requirements for current good manufacturing practices, or cGMPs, and current good clinical practices, or cGCPs, for any clinical trials that we conduct post-approval. 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, among other things:

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

The FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative 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.

Risks Related to Our Reliance on Third Parties

We depend in part on NCI to advance clinical development of TRC105 and TRC102 and also depend in part on Case Western to advance clinical development of TRC102.

NCI is currently sponsoring and funding two ongoing clinical trials involving TRC105 and one clinical trial involving TRC102, and we expect NCI to sponsor three additional clinical trials involving TRC102. In addition, Case Western is sponsoring and funding two separate clinical

trials involving TRC102. The advancement of our product candidates depends in part on the continued sponsorship and funding of clinical trials by these organizations, as our resources and capital would not be sufficient to conduct these trials on our own. Neither NCI nor Case Western are obligated to continue sponsorship or funding of any clinical trials involving our product candidates and could stop their support at any time. If NCI or Case Western ceased their support for our product candidates, our ability to advance clinical development of our product candidates could be limited and we may not be able to pursue the number of different indications for our product candidates that are currently being pursued.

Even if NCI and Case Western continue to sponsor and fund clinical trials of our product candidates, our reliance on their support subjects us to numerous risks. For example, we have limited control over the design or timing of their clinical trials and limited visibility into their day-to-day activities, including with respect to how they are providing and administering our product candidates. If there is a failure in a clinical trial sponsored by NCI or Case Western due to poor design of the trial, errors in the way the clinical trial is executed or any other reason, or if NCI or Case Western fails to comply with applicable regulatory requirements, it could represent a major set-back for the development and approval of our product candidates, even if we were not directly involved in the trial and even if the clinical trial failure was not related to the underlying safety or efficacy of the product candidate. In addition, NCI or Case Western could decide to de-prioritize clinical development of our product candidates in relation to other projects, which could adversely affect the timing of further clinical development. We are also subject to various confidentiality obligations with respect to the clinical trials sponsored by NCI and Case Western, which could prevent us from disclosing current information about the progress or results from these trials until NCI and Case Western, as applicable, publicly disclose such information or permit us to do so. This may make it more difficult to evaluate our business and prospects at any given point in time and could also impair our ability to raise capital on our desired timelines.

We are dependent on our license agreement with Santen to develop and commercialize our anti-endoglin antibodies, including DE-122, in the field of ophthalmology. The failure to maintain our agreement with Santen or the failure of Santen to perform its obligations under the agreement, could negatively impact our business.

Pursuant to the terms of our license agreement with Santen, we granted Santen an exclusive, worldwide license to certain patents, information and know-how related to our anti-endoglin antibodies, including TRC105, which is referred to by Santen as DE-122, for development and commercialization in ophthalmology indications, excluding systemic treatment of ocular tumors. Consequently, our ability to realize value or generate any revenues from our anti-endoglin antibodies in the field of ophthalmology depends on Santen's willingness and ability to develop and obtain regulatory approvals for and successfully commercialize product candidates using our technology for these indications. We have limited control over the amount and timing of resources that Santen will dedicate to these efforts. In particular, we will not be entitled to receive additional milestone or royalty payments from Santen absent further development and eventual commercialization of anti-endoglin antibodies in ophthalmology indications.

We are subject to a number of other risks associated with our dependence on our license agreement with Santen, including:

- Santen may not comply with applicable regulatory requirements with respect to developing or commercializing products under the license agreement, which could adversely impact development, regulatory approval and eventual commercialization of such products;

- we and Santen could disagree as to future development plans and Santen may delay initiation of clinical trials or stop a future clinical trial;

- there may be disputes between us and Santen, including disagreements regarding the terms of the license agreement, that may result in the delay of or failure to achieve development, regulatory and commercial objectives that would result in milestone or royalty payments to us, the delay or termination of any future development or commercialization of anti-endoglin antibodies using our technology in the field of ophthalmology, and/or costly litigation or arbitration that diverts our management's attention and resources;

- Santen may not provide us with timely and accurate information regarding development progress and activities under the license agreement, which could adversely impact our ability to report progress to our investors and otherwise plan our own development of our anti-endoglin antibodies, including TRC105, in non-ophthalmology indications;

- business combinations or significant changes in Santen's business strategy may adversely affect Santen's ability or willingness to perform its obligations under the license agreement;

- Santen may not properly maintain or defend our intellectual property rights in the field of ophthalmology or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property rights or expose us to potential litigation; and

- the royalties we are eligible to receive from Santen may be reduced or eliminated based upon Santen's and our ability to maintain or defend our intellectual property rights.

The license agreement is subject to early termination, including through Santen's right to terminate without cause upon advance notice to us. If the agreement is terminated early, we may not be able to find another collaborator for the commercialization and further development of our anti-endoglin antibodies for ophthalmology indications on acceptable terms, or at all, and we may otherwise be unable to pursue continued development on our own for these indications.

To the extent we enter into additional agreements for the development and commercialization of our product candidates we would likely be similarly dependent on the performance of those third parties and subject to similar risks.

We may not be successful in establishing and maintaining additional collaborations, which could adversely affect our ability to develop and commercialize our product candidates.

A part of our strategy is to strategically evaluate and, as deemed appropriate, enter into additional out-licensing and collaboration agreements, including potentially with major biotechnology or pharmaceutical companies. We face significant competition in seeking appropriate partners for our product candidates, and the negotiation process is time-consuming and complex. In order for us to successfully partner our product candidates, potential partners must view these product candidates as having the requisite potential to demonstrate safety and efficacy and as being economically valuable in light of the terms that we are seeking and other available products for licensing by other companies. Due to our existing license agreement with Santen, we may find it more difficult to secure additional collaborations for our anti-endoglin antibodies if major biotechnology or pharmaceutical companies would prefer to have exclusive control over development for all indications. Even if we are successful in our efforts to establish new collaborations, the terms that we agree upon may not be favorable to us, and we may not be able to maintain such collaborations if, for example, development or approval of a product candidate is delayed or sales of an approved product are disappointing. Any inability or delay in entering into new collaboration agreements related to our product candidates, in particular in foreign countries where we do not have and do not intend to establish significant capabilities,

could delay the development and commercialization of our product candidates and reduce their market potential.

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

While we intend to continue designing, monitoring and managing our Phase 1 and Phase 2 clinical trials of our product candidates using our clinical operations and regulatory team, we still depend upon independent investigators and collaborators, such as universities and medical institutions, to conduct our clinical trials at their sites under agreements with us. In addition, we expect that we will need to rely on third party contract research organizations, or CROs, to assist in monitoring, managing and otherwise carrying out any Phase 3 clinical trials that we sponsor at sites outside the United States. We will compete with many other companies for the resources of these third party CROs, and the initiation and completion of our Phase 3 clinical trials may be delayed if we encounter difficulties in engaging CROs or need to change CROs during a trial.

We control only certain aspects of the activities conducted for us by the third parties on which we currently rely and on which we will rely in the future for our clinical trials. Nevertheless, we are responsible for ensuring that each of our clinical trials is conducted in accordance with applicable protocol, legal, regulatory and scientific standards, and our reliance on third parties does not relieve us of our regulatory responsibilities. We and these third parties are required to comply with cGCPs, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for product candidates in clinical development. Regulatory authorities enforce these cGCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of these third parties fail to comply with applicable cGCP regulations, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that, upon inspection, such regulatory authorities will determine that any of our clinical trials comply with the cGCP regulations. In addition, our clinical trials must be conducted with product candidates produced under cGMPs and will require a large number of test patients. Our failure or any failure by these third parties to comply with these regulations or to recruit a sufficient number of patients may require us to repeat clinical trials, which would delay the regulatory approval process. Moreover, our business may be implicated if any of these third parties violates federal or state health care laws, including, among others, fraud and abuse, false claims, privacy and security, and physician payment transparency laws. Any third parties conducting our clinical trials are not and will not be our employees and, except for remedies available to us under our agreements with such third parties, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical development 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 drug development activities, which could affect their performance on our behalf. If these third parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to complete development of, obtain regulatory approval of or successfully commercialize our product candidates. As a result, our financial results and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenue could be delayed.

Switching or adding third parties to conduct our clinical trials involves substantial cost and requires extensive management time and focus. In addition, there is a natural transition period when a new third party commences work. As a result, delays may occur, which can materially impact our ability to meet our desired clinical development timelines.

We intend to rely on third-party manufacturers to make our product candidates, and any failure by a third-party manufacturer may delay or impair our ability to complete clinical trials or commercialize our product candidates.

Manufacturing drugs and biologics is complicated and is tightly regulated by regulatory authorities, including the FDA and foreign equivalents. We currently rely on third party manufacturers to supply us, as well as other parties conducting studies and trials of our product candidates, such as NCI, Case Western and Santen, with drug substance for preclinical and Phase 1 and Phase 2 clinical trials. We also expect to continue to rely on third party manufacturers for any drug substance required for Phase 3 clinical trials and for commercial supply, and do not intend to build our own manufacturing capability. Moreover, the market for contract manufacturing services for drug products, especially biologics such as TRC105, is highly cyclical, with periods of relatively abundant capacity alternating with periods in which there is little available capacity. If any need we have for contract manufacturing services increases during a period of industry-wide tight capacity, we may not be able to access the required capacity on a timely basis or on commercially viable terms. In addition, we contract with fill and finishing providers with the appropriate expertise, facilities and scale to meet our needs.

Successfully transferring complicated manufacturing techniques to contract manufacturing organizations and scaling up these techniques for commercial quantities is time consuming and subject to potential difficulties and delays. For example, we rely on Lonza Sales AG, or Lonza, to manufacture TRC105 drug substance for our Phase 1 and Phase 2 clinical trials and separately license from Lonza its proprietary cell line and other methods of producing TRC105 drug substance. While we have the right to transfer the manufacture of TRC105 drug substance to additional or alternate suppliers and to sublicense Lonza's TRC105 manufacturing technology to such other suppliers, we may encounter delays in any such transfer due to the time and effort required for another party to understand and successfully implement Lonza's proprietary process. The drug substances for our product candidates have also never been produced at commercial scale. In particular for biologics, it is not uncommon to experience setbacks and delays in scaling up production in a reliable and contamination-free manner, which may delay our ability to obtain regulatory approval or may result in higher costs to manufacture commercial drug product than we currently expect.

The facilities used by our current or future third party manufacturers to manufacture our product candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit a BLA or an NDA to the FDA. While we work closely with our third party manufacturers on the manufacturing process for our product candidates, we generally do not control the implementation of the manufacturing process of, and are completely dependent on, our third party manufacturers for compliance with cGMP regulatory requirements and for manufacture of both drug substances and finished drug products. If our third party manufacturers cannot successfully manufacture material that conforms to applicable specifications and the strict regulatory requirements of the FDA or other regulatory authorities, they will not be able to secure or maintain regulatory approval for their manufacturing facilities. In addition, we have no control over the ability of our contract manufacturers or other third party manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our product candidates or if it withdraws any such approval in the future, we may

need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or commercialize our product candidates.

Risks Related to Our Intellectual Property

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

We rely upon a combination of patents, trade secret protection and confidentiality agreements to protect the intellectual property related to our product candidates. If we do not adequately protect our intellectual property, competitors may be able to use our technologies which could do harm to our business and affect our ability to be profitable. In particular, our success depends in large part on our ability to obtain and maintain patent protection in the United States and other countries with respect to our product candidates. Additionally, we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our product candidates in the United States or in other countries. We may also fail to identify patentable aspects of our research and development before it is too late to obtain patent protection. Any disclosure or misappropriation by third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, eroding our competitive position in our market.

The patent position of biotechnology companies is generally uncertain because it involves complex legal and factual considerations in a legal framework that is constantly evolving. The standards applied by the United States Patent and Trademark Office, or USPTO, and foreign patent offices in granting patents are not always applied uniformly or predictably. For example, there is no uniform worldwide policy regarding patentable subject matter or the scope of claims allowable in biotechnology patents. There is a substantial amount of prior art in the biotechnology and pharmaceutical fields, including scientific publications, patents and patent applications. There is no assurance that all potentially relevant prior art relating to our patents and patent applications has been found. We may be unaware of prior art that could be used to invalidate an issued patent or prevent our pending patent applications from issuing as patents. Even if patents do successfully issue and even if such patents cover our product candidates, third parties may challenge their validity, enforceability or scope, which may result in such patents being narrowed or invalidated. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property, provide exclusivity for our product candidates or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

If patent applications we hold or have in-licensed with respect to our product candidates fail to issue, if their breadth or strength of protection is threatened, or if they fail to provide meaningful exclusivity for our product candidates, it could dissuade companies from collaborating with us. Several patent applications covering our product candidates have been filed recently. We cannot offer any assurances about which, if any, patents will issue, the breadth of any such patents or whether any issued patents will be found invalid and unenforceable or will be threatened by third parties. Any successful challenge to these patents or any other patents owned by or licensed to us could deprive us of rights necessary for the successful commercialization of any product candidate that we may develop. Since patent applications in the United States and most other countries are confidential for a period of time after filing, and some remain so until issued, we cannot be certain that we were the first to file any patent application related to a product candidate.

For applications filed before March 16, 2013, or patents issuing from such applications, an interference proceeding can be provoked by a third party, or instituted by the USPTO to determine who was the first to invent any of the subject matter covered by the claims of our applications and patents. As of March 16, 2013, the United States transitioned to a "first-to-file" system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the USPTO 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 the third party. The change to "first-to-file" from "first-to-invent" is one of the changes to the patent laws of the United States resulting from the Leahy-Smith America Invents Act, or the Leahy-Smith Act, signed into law on September 16, 2011. Among some of the other significant changes to the patent laws are changes that limit where a patentee may file a patent infringement suit and provide opportunities for third parties to challenge any issued patent in the USPTO. It is not yet clear, what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our 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.

Patents granted by the European Patent Office may be opposed by any person within nine months from the publication of their grant and, in addition, may be challenged before national courts at any time. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing around our claims. Furthermore, due to the patent laws of a country, or the decisions of a patent examiner in a country, or our own filing strategies, we may not obtain patent coverage for all our product candidates or methods involving these product candidates in the parent patent application.

In addition, patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after it is filed. Various extensions may be available; however, the life of a patent and the protection it affords is limited. If we encounter delays in obtaining regulatory approvals, the period of time during which we could market a product candidate under patent protection could be reduced. Even if patents covering our product candidates are obtained, once the patent life has expired for a product, we may be open to competition from generic and biosimilar products.

Any loss of patent protection could have a material adverse impact on our business. We may be unable to prevent competitors from entering the market with a product that is similar to or the same as our products.

We depend on our licensors to prosecute and maintain patents and patent applications that are material to our business. Any failure by our licensors to effectively protect these intellectual property rights could adversely impact our business and operations.

As of September 30, 2014, we are the exclusive licensee of nine issued U.S. patents and one pending U.S. patent application and three issued non-U.S patents and ten pending non-U.S. patent applications relating to "Anti-Endoglin Monoclonal Antibodies and their use in Antiangiogenic Therapy," "Method For Increasing the Efficacy of Anti-Tumor Agents by Anti-Endoglin Antibody," "Methoxyamine Potentiation of Temozolomide Anti-Cancer Activity," "Methoxyamine Combinations in the Treatment of Cancer," "Alkylating Agent Combinations in the Treatment of Cancer" and "Combination Therapy of Cancer with Anti-Endoglin Antibodies and Anti-VEGF Agents."

As a licensee of third parties, we rely on these third parties to file and prosecute patent applications and maintain patents and otherwise protect the licensed intellectual property under

some of our license agreements. We have not had and do not have primary control over these activities for certain of our patents or patent applications and other intellectual property rights. We cannot be certain that such activities by third parties have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents or other intellectual property rights. Pursuant to the terms of the license agreements with some of our licensors, the licensors may have the right to control enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents and even if we are permitted to pursue such enforcement or defense, we will require the cooperation of our licensors. We cannot be certain that our licensors will allocate sufficient resources or prioritize their or our enforcement of such patents or defense of such claims to protect our interests in the licensed patents. Even if we are not a party to these legal actions, an adverse outcome could harm our business because it might prevent us from continuing to license intellectual property that we may need to operate our business.

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

Our commercial success depends in part on us and our partners not infringing the patents and proprietary rights of third parties. There is a substantial amount of litigation and other proceedings, both within and outside the United States, involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, oppositions, reexamination and review proceedings before the USPTO and corresponding foreign patent offices. Numerous U.S. and foreign issued patents and pending patent applications owned by third parties exist in the fields in which we and our partners are developing and may develop our product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of the patent rights of third parties.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our product candidates, that we failed to identify. For example, applications filed before November 29, 2000 and certain applications filed after that date that will not be filed outside the United States remain confidential until issued as patents. Except for the preceding exceptions, patent applications in the United States and elsewhere are generally published only after a waiting period of approximately 18 months after the earliest filing. Therefore, patent applications covering our product candidates or methods of use of our product candidates could have been filed by others without our knowledge. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our product candidates or the use or manufacture of our product candidates.

The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our product candidates, products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and we may not be able to do this. Proving that a patent is invalid is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Also, in proceedings before courts in Europe, the burden of proving invalidity of the patent usually rests on the party alleging invalidity. Third parties could bring claims against us that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us, we could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit.

If any third-party patents were held by a court of competent jurisdiction to cover aspects of our materials, formulations, methods of manufacture or methods for treatment, the holders of any such patents would be able to block our ability to develop and commercialize the applicable product candidate until such patent expired or unless we or our partner obtain a license. These licenses may not be available on acceptable terms, if at all. Even if we or our partner were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we or our partner could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we or our partner are unable to enter into licenses on acceptable terms.

Parties making claims against us or our partner may obtain injunctive or other equitable relief, which could effectively block our or our partner's ability to further develop and commercialize one or more of our product candidates. Defending against claims of patent infringement or misappropriation of trade secrets could be costly and time consuming, regardless of the outcome. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs. In addition, litigation or threatened litigation could result in significant demands on the time and attention of our management team, distracting them from the pursuit of other company business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, pay royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure.

Third parties may submit applications for patent term extensions in the United States and/or supplementary protection certificates in the European Union member states seeking to extend certain patent protection which, if approved, may interfere with or delay the launch of one or more of our products.

We may face a claim of misappropriation if a third party believes that we inappropriately obtained and used trade secrets of such third party. If we are found to have misappropriated a third party's trade secrets, we may be prevented from further using such trade secrets, limiting our ability to develop our product candidates, and we may be required to pay damages.

During the course of any patent or other intellectual property litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our product candidates or intellectual property could be diminished. Accordingly, the market price of our common stock may decline.

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

Competitors may infringe our intellectual property, including our patents or the patents of our licensors. In addition, one or more of our third party collaborators may have submitted, or may in the future submit, a patent application to the USPTO without naming a lawful inventor that developed the subject matter in whole or in part while under an obligation to execute an assignment of rights to us. As a result, we may be required to file infringement or inventorship claims to stop third party infringement, unauthorized use, or to correct inventorship. This can be expensive, particularly for a company of our size, and time-consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. In addition, in an infringement proceeding, a court may decide that a patent of ours 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 patent claims do not cover its technology or that the factors necessary to grant an injunction against an infringer are not satisfied.

An adverse determination of any litigation or other 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.

Interference, derivation or other proceedings brought at the USPTO or any foreign patent authority may be necessary to determine the priority or patentability of inventions with respect to our patent applications or those of our licensors or collaborators. Litigation or USPTO proceedings brought by us may fail. An unfavorable outcome in any such proceedings could require us to cease using the related technology or to attempt to license rights to it from the prevailing party, or could cause us to lose valuable intellectual property rights. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms, if any license is offered at all. Even if we are successful, domestic or foreign litigation or USPTO or foreign patent office proceedings may result in substantial costs and distraction to our management. We may not be able, alone or with our licensors or collaborators, to prevent misappropriation of our trade secrets, confidential information or proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation or other proceedings, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation or proceedings. In addition, during the course of this kind of litigation or proceedings, there could be public announcements of the results of hearings, motions or other interim proceedings or developments or public access to related documents. If investors perceive these results to be negative, the market price for our common stock could be significantly harmed.

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

We are a party to a number of license agreements that are important to our business, and we may enter into additional license agreements in the future. Our product candidate TRC105 is protected by patents exclusively in-licensed from Roswell Park Cancer Institute. Our product candidate TRC102 is protected by patents exclusively licensed from Case Western. See "Business—Collaboration and License Agreements" for a description of our license agreements with Roswell Park Cancer Institute and Case Western.

Our existing license agreements impose, and we expect that future license agreements will impose, various diligence, milestone payment, royalty and other obligations on us. If there is any conflict, dispute, disagreement or issue of non-performance between us and our licensing partners regarding our rights or obligations under the license agreements, including any such conflict, dispute or disagreement arising from our failure to satisfy payment obligations under any such agreement, we may owe damages, our licensor may have a right to terminate the affected license, and our and our partner's ability to utilize the affected intellectual property in our drug development efforts, and our ability to enter into collaboration or marketing agreements for a product candidate, may be adversely affected.

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

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 and in some cases may even force us to grant a compulsory license to competitors or other third parties. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biopharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

In addition, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in domestic and foreign intellectual property laws.

Obtaining and maintaining 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, renewal fees, annuity fees and various other governmental fees on patents and applications will be due to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, 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. In such an event, our competitors might be able to use our technologies and this circumstance would have a material adverse effect on our business.

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

In addition to the protection afforded by patents, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable or that we elect not to patent, processes for which patents are difficult to enforce and any other elements of our development processes that involve proprietary know-how or information that is not covered

by patents. However, trade secrets can be difficult to protect. We seek to protect our proprietary processes, in part, by entering into confidentiality agreements with our employees, consultants, and outside scientific advisors, contractors and collaborators. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, or outside scientific advisors might intentionally or inadvertently disclose our trade secret information to competitors. In addition, competitors may otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques.

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

Risks Related to Commercialization of Our Product Candidates

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

The use of anti-endoglin antibodies as a means of inhibiting angiogenesis, including in combination with VEGF inhibitors for the treatment of cancer, is a recent clinical development and may not become broadly accepted by physicians, patients, hospitals, cancer treatment centers, third-party payors and others in the medical community. Factors that will influence whether our product candidates are accepted in the market include:

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

In addition, we expect that in oncology indications, TRC105 will be most effective as a combination treatment with VEGF inhibitors. If VEGF inhibitors become associated with

presently unknown safety concerns, are withdrawn from the market or otherwise fall out of favor as cancer treatments among physicians, patients, hospitals, cancer treatment centers or others in the medical community, the market potential for TRC105 would likely be significantly harmed.

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

We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are more advanced or effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our product candidates.

We face competition both in the United States and internationally, including from major multinational pharmaceutical companies, biotechnology companies and universities and other research institutions. For example, other pharmaceutical and biotechnology companies, including Pfizer, Inc. and Acceleron Pharma Inc., have active programs to develop therapies targeting proteins in the endoglin pathway that would compete directly with certain of our product candidates, including TRC105. Many other companies are developing other cancer therapies that, if successful, could change the standard of care for cancer patients and relegate anti-angiogenesis therapy to a last-line or niche role or make it obsolete.

Many of our competitors have substantially greater financial, technical and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis, products that are more effective or less costly than any product candidate that we may develop, or achieve earlier patent protection, regulatory approval, product commercialization and market penetration than we do. Additionally, technologies developed by our competitors may render our potential product candidates uneconomical or obsolete, and we may not be successful in marketing our product candidates against competitors.

Under the terms of our license agreement with Case Western, we obtained an exclusive, worldwide license to certain patents, know-how and other intellectual property controlled by Case Western related to TRC102. Despite our exclusive license, Case Western retained the right to grant non-exclusive licenses to third parties in the same field of use as our exclusive license as a means to settle any intellectual property disputes Case Western may have in the future with such third parties. While Case Western has not made us aware of any present intent to exercise this right, there can be no guarantee that Case Western will not do so in the future or that it would not grant such an non-exclusive license to a competitor of ours seeking to develop and commercialize a product that is identical to TRC102 in the same field of use that we are pursuing. If this were to occur, and we did not have other intellectual property outside of the Case Western license agreement to prevent competitive products for the same indications, we may face competition much earlier than we currently anticipate and the value of TRC102 may decline substantially.

Even if we are successful in achieving regulatory approval to commercialize a product candidate faster than our competitors, we may face competition from "biosimilars" due to the changing regulatory environment. In the United States, the Biologics Price Competition and Innovation Act created an abbreviated approval pathway for biological products that are

demonstrated to be "highly similar," or "biosimilar," to or "interchangeable" with an FDA-approved biological product. This new pathway could allow competitors to reference data from biological products already approved after 12 years from the time of approval. Future FDA standards or criteria for determining biosimilarity and interchangeability, and FDA discretion to determine the nature and extent of product characterization, non-clinical testing and clinical testing on a product-by-product basis, may further facilitate the approval of biosimilar products and their ability to compete with our product candidates. In addition, companies may be developing biosimilars in other countries that could compete with our products. If competitors are able to obtain marketing approval for biosimilars referencing our products, our products may become subject to competition from such biosimilars, with the attendant competitive pressure and consequences. Any such event or further changes in the law could decrease the period for which we have exclusivity and consequently negatively impact our business and competitive position. Expiration or successful challenge of our applicable patent rights could also trigger competition from other products, assuming any relevant exclusivity period has expired.

Finally, as a result of the expiration or successful challenge of our patent rights, we could face litigation with respect to the validity and/or scope of patents relating to our competitors' products. The availability of our competitors' products could limit the demand, and the price we are able to charge, for any products that we may develop and commercialize.

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

Successful sales of our product candidates, if approved, depend on the availability of coverage and adequate reimbursement from third-party payors. In addition, because our product candidates represent new approaches to the treatment of cancer, we cannot accurately estimate the potential revenue from our product candidates.

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

Government authorities and other third-party payors, such as commercial 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, but not limited to, the third-party payor's determination that use of a product is:

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

In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors. Therefore, coverage and reimbursement for products can differ significantly from payor to payor. 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 supporting scientific, clinical and cost-effectiveness data to each payor separately for the use of our products, with no assurance that coverage and adequate

reimbursement will be obtained. Even if we obtain coverage for a given product, the resulting reimbursement rates might not be adequate for us to achieve or sustain profitability or may require co-payments that patients find unacceptably high. Patients are unlikely to use our product candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our product candidates.

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 European Union, the pricing of biologics is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after obtaining marketing approval of a product candidate. In addition, market acceptance and sales of our product candidates will depend significantly on the availability of coverage and adequate reimbursement from third-party payors for our product candidates.

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

Third-party payors, whether domestic or foreign, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to the health care system that could impact our ability to sell our products profitably. In particular, in 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively, the Affordable Care Act, was enacted. The Affordable Care Act and its implementing regulations, 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, including our product candidates, 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, established a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D, and provided incentives to programs that increase the federal government's comparative effectiveness research.

Other legislative changes have been proposed and adopted in the United States since the Affordable Care Act 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 up to 2% per fiscal year, which went into effect in April 2013 and will remain in effect through 2024 unless additional Congressional action is taken. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors, which may adversely affect our future

profitability. There have been, and likely will continue to be, legislative and regulatory proposals at the foreign, federal and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. We cannot predict the initiatives that may be adopted in the future. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare and/or impose price controls may adversely affect:

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

We cannot predict whether future healthcare initiatives will be implemented at the federal or state level or in countries outside of the United States in which we may do business in the future, or the effect any future legislation or regulation will have on us.

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

Although we intend to establish a specialty sales and marketing organization to promote or co-promote TRC105 and/or TRC102 in North America, if approved in oncology indications, we currently have no such organization or capabilities, and the cost of establishing and maintaining such an organization may exceed the cost-effectiveness of doing so. In order to market any products that may be approved, we must build sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services.

In addition, we do not intend to establish our own sales and marketing organizations outside the United States and will therefore depend on third parties to commercialize our product candidates outside of the United States. Any third parties upon which we rely for commercializing our product candidates may not dedicate sufficient resources to the commercialization effort or may otherwise fail in their commercialization due to factors beyond our control. If we are unable to establish effective third party arrangements to enable the sale of our product candidates in territories outside of the United States, or if our potential future partners do not successfully commercialize our product candidates in these territories, our ability to generate revenue from product sales will be adversely affected.

If we elect to increase our expenditures to fund commercialization activities ourselves, we will need to obtain substantial additional capital, which may not be available to us on acceptable terms, or at all, when we are otherwise ready and able to commercially launch a product candidate. If we do not have sufficient funds, we will not be able to bring any product candidates to market or generate product revenue, including in the United States.

We and any partners that we may engage will be competing with many companies that currently have extensive and well-funded marketing and sales operations to commercialize alternative therapies. If we, alone or with commercialization partners, are unable to compete successfully against these established companies, the commercial success of any approved products will be limited.

If we obtain approval to commercialize any approved products outside of the United States, a variety of risks associated with international operations could materially adversely affect our business.

If TRC105 or other product candidates are approved for commercialization, we expect that we or our partners will be subject to additional risks related to entering into international business relationships, including:

- different regulatory requirements for drug approvals in foreign countries;
- reduced protection for intellectual property rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war and terrorism, or natural disasters including earthquakes, typhoons, floods and fires.

If we or our partners outside of the Unites States are unable to successfully manage these risks associated with international operations, the market potential for our product candidates outside the Unites States will be limited and our results of operations may be harmed.

Risks Related to Our Business and Industry

If we fail to develop, acquire or in-license other product candidates or products, our business and prospects will be limited.

We do not have internal new drug discovery capabilities or a technology platform with which to develop novel product candidates. Unless we develop or acquire these capabilities or a technology platform, our only means of expanding our product pipeline will be to acquire or in-license product candidates that complement or augment our current targets, or that otherwise fit into our development or strategic plans on terms that are acceptable to us. Identifying, selecting and acquiring or licensing promising product candidates requires substantial technical, financial and human resources. Efforts to do so may not result in the actual development, acquisition or license of a particular product candidate, potentially resulting in a diversion of our management's time and the expenditure of our resources with no resulting benefit. If we are unable to add additional product candidates to our pipeline, our long-term business and prospects will be limited.

If we fail to attract and keep senior management and key clinical operations and regulatory personnel, we may be unable to successfully develop our product candidates and execute our business strategy.

We are highly dependent on members of our senior management, including Charles Theuer, M.D., Ph.D., our President and Chief Executive Officer, and H Casey Logan, M.B.A., our Chief Business Officer. Our clinical development strategy and ability to directly manage our Phase 1 and Phase 2 clinical trials are also dependent on the members of our clinical operations and regulatory team. The loss of the services of any of these persons could impede the development of our product candidates and our ability to execute our business strategy. We may be particularly impacted by the unexpected loss of employees due to our small employee base and limited ability to quickly shift responsibilities to other employees in our organization. We do not maintain "key person" insurance for any of our executives or other employees.

Recruiting and retaining other qualified employees for our business, including scientific, quality assurance and technical personnel, will also be critical to our success. There is currently a shortage of skilled executives in our industry, which is likely to continue. As a result, competition for skilled personnel is intense, particularly in the San Diego, California area, and the turnover rate can be high. We may not be able to attract and retain personnel on acceptable terms given the competition among numerous pharmaceutical companies for individuals with similar skill sets. The inability to recruit or loss of the services of any executive or key employee could impede the progress of our development and strategic objectives.

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

We are exposed to the risk that our employees, independent contractors, principal investigators, consultants, vendors and commercial partners may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or unauthorized activities that violate:

- FDA regulations, including those laws that require the reporting of true, complete and accurate information to the FDA;
- manufacturing standards;
- federal and state fraud and abuse laws and other healthcare laws;
- laws governing the conduct of business abroad; or
- laws that require the reporting of true and accurate financial information or data.

Additionally, these parties may fail to disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of

significant civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other U.S. federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

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

As we seek to advance our product candidates through clinical trials and commercialization, we will need to expand our development, regulatory, manufacturing, marketing and sales capabilities or contract with additional third parties to provide these capabilities for us. As our operations expand, we expect that we will need to manage additional relationships with partners, consultants, suppliers and other third parties. Future growth will impose significant added responsibilities on members of our management, including having to divert a disproportionate amount of its attention away from day-to-day operating activities to implement and manage future growth. Our future financial performance and our ability to commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to manage our development efforts and clinical trials effectively and hire, train and integrate additional management, administrative and, if necessary, sales and marketing personnel. We may not be able to accomplish these tasks, and our failure to accomplish any of them could prevent us from successfully growing our company.

We are subject to extensive federal and state regulation, and our failure to comply with these laws could harm our business.

Although we do not currently have any products on the market, we are subject to healthcare regulation and enforcement by the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which applies to our business activities, including our marketing practices, educational programs, pricing policies and relationships with healthcare providers, by prohibiting, among other things, knowingly and willfully soliciting, receiving, offering or providing any remuneration (including any bribe, kickback or rebate) directly or indirectly, overtly or covertly, in cash or in kind, intended to induce or in return for the purchase or recommendation of any good, facility item or service reimbursable, in whole or in part, under a federal healthcare program, such as the Medicare or Medicaid programs;

- federal civil and criminal false claims laws and civil monetary penalty laws, including the federal False Claims Act, that prohibit, among other things, knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other governmental healthcare programs that are false or fraudulent, or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, and its implementing regulations, which created federal criminal laws that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, imposes certain regulatory and contractual requirements on covered entities

and their business associates regarding the privacy, security and transmission of individually identifiable health information;

- federal "sunshine" requirements imposed by the Affordable Care Act, on certain drug manufacturers regarding any transfers of value provided to physicians and teaching hospitals, and ownership and investment interests held by such physicians and their immediate family members; and

- state or foreign law equivalents of each of the above federal laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical companies to comply with the 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 and other potential referral sources; state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state 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.

It is possible that some of our business activities could be subject to challenge under one or more of such laws. In addition, recent health care reform legislation has strengthened certain of these laws. For example, the Affordable Care Act, among other things, amends the intent requirement of the federal Anti-Kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of these statutes or specific intent to violate them to have committed a violation. Moreover, the Affordable Care Act provides that 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.

Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including without limitation, administrative, civil and/or criminal penalties, damages, fines, disgorgement, contractual damages, reputational harm, exclusion from governmental health care programs, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our financial results.

We face potential product liability, and, if successful claims are brought against us, we may incur substantial liability.

The use of our product candidates in clinical trials and the sale of any products for which we obtain marketing approval exposes us to the risk of product liability claims. Product liability claims might be brought against us by consumers, healthcare providers, pharmaceutical companies or others selling or otherwise coming into contact with our product candidates. If we cannot successfully defend against product liability claims, we could incur substantial liability and costs. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- impairment of our business reputation;

- withdrawal of clinical trial participants;

- costs due to related litigation;

- distraction of management's attention from our primary business;
- substantial monetary awards to patients or other claimants;
- the inability to commercialize our product candidates; and
- decreased demand for our product candidates, if approved for commercial sale.

We currently carry product liability insurance covering our clinical trials with limits of $5.0 million in the aggregate and $5.0 million per occurrence. Our current product liability insurance coverage may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive and in the future we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. If we obtain marketing approval for our product candidates, we intend to expand our insurance coverage to include the sale of commercial products; however, we may be unable to obtain product liability insurance on commercially reasonable terms or in adequate amounts. On occasion, large judgments have been awarded in class action lawsuits based on drugs that had unanticipated adverse effects. A successful product liability claim or series of claims brought against us could cause our stock price to decline and, if judgments exceed our insurance coverage, could adversely affect our results of operations and business.

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

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

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

As of December 31, 2013 we had federal and California net operating loss carryforwards, or NOLs, each of approximately $17.2 million, which expire in various years beginning in 2029, if not utilized. As of December 31, 2013, we had federal and California research and development tax credit carryforwards of approximately $0.5 million and $0.3 million, respectively. The federal research and development tax credit carryforwards expire in various years beginning in 2031, if not utilized. The California research and development credit will carry forward indefinitely. Under Sections 382 and 383 of Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change NOLs and other pre-change tax attributes, such as research tax credits, to offset its future post-change income and taxes may be limited. In general, an

"ownership change" occurs if there is a cumulative change in our ownership by "5% shareholders" that exceeds 50 percentage points over a rolling three year period. Similar rules may apply under state tax laws. We believe we have experienced certain ownership changes in the past and have reduced our deferred tax assets related to NOLs and research and development tax credit carryforwards accordingly. In the event that it is determined that we have in the past experienced additional ownership changes, or if we experience one or more ownership changes as a result of this offering and the concurrent private placement or future transactions in our stock, then we may be further limited in our ability to use our NOLs and other tax assets to reduce taxes owed on the net taxable income that we earn in the event that we attain profitability. Any such limitations on the ability to use our NOLs and other tax assets could adversely impact our business, financial condition and operating results in the event that we attain profitability.

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

Despite the implementation of security measures, our internal computer systems and those of our current or future contractors and consultants are vulnerable to damage from computer viruses and unauthorized access. While we have not experienced any such material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, third parties that are also sponsoring clinical trials involving our product candidates, such as NCI and Case Western, could experience similar events relating to their computer systems, which could also have a material adverse effect on our business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development and commercialization of our product candidates could be delayed.

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

Our operations, and those of our contractors and consultants, could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. In addition, NCI may be affected by government shutdowns or withdrawn funding, which may lead to suspension or termination of ongoing NCI-sponsored clinical development of our product candidates. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. In addition, our ability to obtain clinical supplies of our product candidates could be disrupted if the operations of our third party manufacturers, including Lonza, are affected by a man-made or natural disaster or other business interruption. Our corporate headquarters are located in San Diego, California near major earthquake faults and fire zones. The ultimate impact on us and our general infrastructure of being located near major earthquake faults and fire zones and being consolidated in certain geographical areas is unknown, but our operations and financial condition could suffer in the event of a major earthquake, fire or other natural disaster.

Risks Related to Our Common Stock and this Offering

The market price of our common stock may be highly volatile, and you may not be able to resell your shares at or above the initial public offering price.

The trading price of our common stock is likely to be volatile. Our stock price could be subject to wide fluctuations in response to a variety of factors, including the following:

- adverse results or delays in clinical trials;
- inability to obtain additional funding;
- any delay in filing a BLA or an NDA for any of our product candidates and any adverse development or perceived adverse development with respect to the FDA's review of that BLA or NDA;
- failure to successfully develop and commercialize our product candidates;
- changes in laws or regulations applicable to our product candidates;
- inability to obtain adequate product supply for our product candidates, or the inability to do so at acceptable prices;
- adverse regulatory decisions;
- introduction of new products or technologies by our competitors;
- failure to meet or exceed product development or financial projections we provide to the public;
- failure to meet or exceed the estimates and projections of the investment community;
- the perception of the pharmaceutical industry by the public, legislatures, regulators and the investment community;
- announcements of significant acquisitions, collaborations, joint ventures or capital commitments by us or our competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- additions or departures of key scientific or management personnel;
- significant lawsuits, including patent or stockholder litigation;
- changes in the market valuations of similar companies;
- sales of our common stock by us or our stockholders in the future; and
- trading volume of our common stock.

In addition, the stock market in general, and the Nasdaq Global Market 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.

An active trading market for our common stock may not develop.

Prior to this offering, there has not been a public market for our common stock. Although we have applied to have our common stock listed on the Nasdaq Global Market, an active trading market for our shares may never develop or be sustained following this offering. If an active market for our common stock does not develop, you may not be able to sell your shares

quickly or at the market price. The initial public offering price for the shares will be determined by negotiations between us and representatives of the underwriters and may not be indicative of prices that will prevail in the trading market.

An active trading market for our common stock will depend in part on the availability of 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 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.

Our executive officers, directors, 5% or greater stockholders and their affiliates beneficially owned approximately 74% of our voting stock as of November 30, 2014. Based upon the assumed number of shares to be sold in this offering and the concurrent private placement as set forth on the cover page of this prospectus, upon the closing of this offering and the concurrent private placement, that same group will beneficially own approximately % of our outstanding voting stock, which does not include any effect of these stockholders purchasing additional shares in this offering. Therefore, even after this offering and the concurrent private placement these stockholders will have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders, acting together, may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may believe are in your best interest as one of our stockholders.

The concurrent private placement and the potential purchases of shares in this offering by certain of our principal stockholders and their affiliated entities will reduce the available public float for our common stock.

NEA has indicated an interest in purchasing up to approximately $ of shares of our common stock at a price per share equal to the initial public offering price (or shares based on the assumed initial public offering price of $ per share) in a proposed private placement that would close concurrently with this offering. The sale of these shares to NEA will not be registered in this offering. In addition, certain of our existing stockholders and their affiliated entities, including stockholders affiliated with our directors, have indicated an interest in purchasing up to $ of shares of our common stock, at a price per share equal to the initial public offering price (or shares based on the assumed initial public offering price of $ per share).

The concurrent private placement and the potential purchases of shares in this offering to certain of our existing stockholders and their affiliated entities will reduce the available public float for our common stock because NEA will be restricted from selling the shares pursuant to restrictions under applicable securities laws, and our existing stockholders and their affiliates will be restricted from selling any shares purchased by them pursuant to lock-up agreements they have entered into with the underwriters in this offering. As a result, the sale of common stock in the concurrent private placement and to our existing stockholders and their affiliates

will reduce the liquidity of our common stock relative to what it would have been had these shares been sold in this offering and been purchased by investors that were not affiliated with us. Following this offering and the concurrent private placement, the number of shares beneficially owned by NEA and our other principal stockholders after this offering will be as set forth in the beneficial ownership table in "Principal Stockholders" elsewhere in this prospectus.

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

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including exemption from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, 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 a non-binding advisory vote on executive compensation. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least $1 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (2) the date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period.

Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company" which would allow us to take advantage of many of the same exemptions from disclosure requirements including exemption from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. As a result, changes in rules of U.S. generally accepted accounting principles or their interpretation, the adoption of new guidance or the application of existing guidance to changes in our business could significantly affect our financial position and results of operations.

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 of the Sarbanes-Oxley Act, or the 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 consolidated 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 common stock.

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. In addition, the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC, and the Nasdaq Global Market have imposed various requirements on public companies. 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 areas such as "say on pay" and proxy access. 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 (in ways we cannot currently anticipate) the manner in which we operate our business. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. 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 our current levels of such coverage.

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

Investors purchasing common stock in this offering will pay a price per share that substantially exceeds the pro forma as adjusted book value (deficit) per share of our tangible assets after subtracting our liabilities. As a result, investors purchasing common stock in this offering will incur immediate dilution of $ per share, based on the assumed initial public offering price of $ per share and our pro forma as adjusted net tangible book value (deficit) as of September 30, 2014. For more information on the dilution you may suffer as a result of investing in this offering, see "Dilution."

This dilution is due to the substantially lower price paid by our investors who purchased shares prior to this offering as compared to the price offered to the public in this offering, and the exercise of stock options granted to our employees. In addition, as of September 30, 2014, options to purchase 2,743,997 shares of our common stock at a weighted-average exercise price of $0.35 per share were outstanding. The exercise of any of these options would result in additional dilution. 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.

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

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

are unable to predict the effect that sales may have on the prevailing market price of our common stock.

Substantially all of our existing stockholders are subject to lock-up agreements with the underwriters of this offering that restrict the stockholders' ability to transfer shares of our common stock for 180 days from the date of this prospectus. The lock-up agreements limit the number of shares of common stock that may be sold immediately following the public offering. Subject to certain limitations, including sales volume limitations with respect to shares held by our affiliates, substantially all of our outstanding shares prior to this offering will become eligible for sale upon expiration of the lock-up period, as calculated and described in more detail in the section entitled "Shares Eligible for Future Sale." In addition, shares issued or issuable upon exercise of options that are vested as of the expiration of the lock-up period will be eligible for sale at that time. Sales of stock by these stockholders could have a material adverse effect on the trading price of our common stock.

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

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

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders.

We are at risk of securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

We have broad discretion in the use of the net proceeds from this offering and the concurrent private placement and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds from this offering and the concurrent private placement, including for any of the purposes described in "Use of Proceeds." Because of the number and variability of factors that will determine our use of the net proceeds from this offering and the concurrent private placement, their ultimate use may vary substantially from their currently intended use. 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 and the concurrent private placement in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders.

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

We have never declared or paid any cash dividend on our common 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. Additionally, our credit agreement with SVB contains covenants that restrict our ability to pay dividends. Any return to stockholders will therefore be limited to the appreciation of their stock.

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

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

- authorizing the issuance of "blank check" preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- limiting the removal of directors by the stockholders;
- creating a staggered board of directors;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- eliminating the ability of stockholders to call a special meeting of stockholders; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our board of directors. This provision could have the effect of delaying or preventing a change of control, whether or not it is desired by or beneficial to our stockholders. Further, other provisions of Delaware law may also discourage, delay or prevent someone from acquiring us or merging with us.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," contains forward-looking statements. We may, in some cases, use words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or the negative of those terms, and similar expressions that convey uncertainty of future events or outcomes, to identify these forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Forward-looking statements in this prospectus include, but are not limited to, statements about:

The forward-looking statements in this prospectus include, among other things, statements about:

- the success, cost and timing of results of our and our collaborators' ongoing clinical trials;
- our and our collaborators' plans to develop and commercialize our product candidates;
- the potential benefits of our collaboration arrangements and our ability to enter into additional collaboration arrangements;
- our regulatory strategy and potential benefits associated therewith;
- the timing of, and our ability to, obtain and maintain regulatory approvals for our product candidates;
- the rate and degree of market acceptance and clinical utility of any approved product candidate;
- the success of competing products that are or may become available;
- the size and growth potential of the markets for our product candidates, and our ability to serve those markets;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our intellectual property position;
- our estimates regarding expenses, future revenues, capital requirements, the sufficiency of our current and expected cash resources, and our need for additional financing;
- our ability to realize the anticipated benefits associated with our capital efficiency focused initiatives; and
- our anticipated use of proceeds from this offering and the concurrent private placement.

These forward-looking statements reflect our management's beliefs and views with respect to future events and are based on estimates and assumptions as of the date of this prospectus and are subject to risks and uncertainties. We discuss many of these risks in greater detail under "Risk Factors." Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed 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 what we expect. We qualify all of the forward-looking statements in this prospectus by these cautionary statements. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $ million (or approximately $ million if the underwriters exercise in full their option to purchase additional shares) from the sale of the shares of common stock offered by us in this offering, excluding any proceeds from the concurrent private placement, based on the assumed initial public offering price of $ per share, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We also expect to receive net proceeds of $ from the sale by us of shares of our common stock in the concurrent private placement, for an aggregate amount to be raised by us in this offering and the concurrent private placement of $, based on the assumed initial public offering price of $ per share, and after deducting the estimated placement agent fees and estimated offering expenses payable by us. Because we have not entered into any definitive agreements with NEA related to the concurrent private placement, there can be no guarantee that the concurrent private placement will take place or that the terms of the concurrent private placement will be consistent with those assumed in this prospectus. For more information, please see "Certain Relationships and Related Party Transactions—Concurrent Private Placement." The private placement with NEA is contingent upon, and will occur concurrently with, the closing of this offering.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering 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 and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us by $ million, assuming the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital to support our operations, to establish a public market for our common stock and to facilitate our future access to the public equity markets. We intend to use the net proceeds from this offering as follows:

- approximately $ million to fund our ongoing Phase 2 clinical trial of TRC105 in combination with Inlyta for renal cell carcinoma;
- approximately $ million to fund our ongoing Phase 2 clinical trial of TRC105 in combination with Votrient for soft tissue sarcoma;
- approximately $ million to obtain the supply of TRC105 and initiate clinical and regulatory activities for our anticipated initial Phase 3 clinical trials;
- approximately $ million to fund additional Phase 1 and Phase 2 clinical trials of TRC105 in large market oncology indications such as colorectal cancer, lung cancer, breast cancer and hepatocellular carcinoma;
- approximately $ million to provide clinical supply of TRC102 for and to provide support for NCI's conduct of our four anticipated Phase 1 or Phase 2 clinical trials of TRC102 in combination with chemotherapeutics;
- approximately $ million to fund our preclinical studies of TRC205 in non-cardiac and cardiac models of fibrosis and obtain the supply of TRC205 for our anticipated Phase 1 clinical trials; and

- the remainder for working capital and other general corporate purposes, including funding the costs of operating as a public company.

We may also use a portion of the remaining net proceeds to in-license, acquire, or invest in complementary businesses, technologies, products or assets. However we have no current commitments or obligations to do so. In addition, we plan to use our existing cash to fund our obligations under our ongoing Phase 2 clinical trial of TRC105 in combination with Avastin for glioblastoma and our ongoing Phase 2 clinical trial of TRC105 in combination with Nexavar for hepatocellular carcinoma, which are sponsored by NCI, and our three ongoing Phase 1 clinical trials of TRC102 in combination with either Temodar or Fludara, which are sponsored by either NCI or Case Western. We expect to use the net proceeds from the concurrent private placement for additional working capital and general corporate purposes. We believe that the net proceeds from this offering and the concurrent private placement and our existing cash will be sufficient to fund our operations for at least the next 18 months. In particular, we estimate that such funds will be sufficient to enable us to (1) complete our ongoing Phase 2 clinical trials of TRC105 for renal cell carcinoma, soft tissue sarcoma, hepatocellular carcinoma and glioblastoma, (2) obtain the supply of TRC105 and initiate clinical and regulatory activities for our anticipated initial Phase 3 clinical trials of TRC105, (3) complete additional Phase 1 and Phase 2 clinical trials of TRC105 in large market oncology indications, (4) complete our four anticipated Phase 1 or Phase 2 clinical trials of TRC102 in combination with chemotherapeutics and (5) obtain the supply of TRC205 and initiate clinical trials in fibrosis. ?

Our expected use of net proceeds from this offering and the concurrent private placement represents our current intentions based upon our present plans and business condition. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds from this offering and the concurrent private placement, or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual use of the net proceeds will vary depending on numerous factors, including the outcomes of our ongoing and planned clinical trials and the costs of our research and development activities, as well as the amount of cash used in our operations. As a result, our management will have broad discretion in the application of the net proceeds, and investors will be relying on our judgment regarding the application of the net proceeds.

Pending their use, we plan to invest the net proceeds from this offering and the concurrent private placement in short- and intermediate-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 currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. We do not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our board of directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors our board of directors may deem relevant. In addition, the terms of our loan and security agreement with SVB, dated November 14, 2013, as amended on June 4, 2014, prohibit us from paying dividends, or making any distribution or payment or redeeming, retiring or purchasing any capital stock (other than repurchases in specific instances) without the prior written consent of SVB.

CAPITALIZATION

The following table sets forth our cash and capitalization as of September 30, 2014:

- on an actual basis;
- on a pro forma basis to give effect to (1) the filing and effectiveness of our amended and restated certificate of incorporation, (2) the conversion of all our outstanding shares of redeemable convertible preferred stock as of September 30, 2014 into an aggregate of 24,650,273 shares of our common stock, and the resultant reclassification of our redeemable convertible preferred stock to stockholders' deficit and (3) the adjustment of our outstanding warrants to purchase redeemable convertible preferred stock into warrants to purchase 150,000 shares of our common stock, and the resultant reclassification of our preferred stock warrant liabilities to additional paid-in capital, a component of stockholders' deficit, all of which will occur in connection with the closing of this offering; and
- on a pro forma as adjusted basis to give further effect to (i) our sale in this offering of shares of common stock at the assumed initial public offering price of $ per share after deducting the underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the sale of $ of shares of our common stock at a price per share equal to the initial public offering price (or shares based on the assumed initial public offering price of $ per share) in the concurrent private placement, after deducting estimated placement agent fees and expenses payable by us. Because we have not entered into any definitive agreements with NEA related to the concurrent private placement, there can be no guarantee that the concurrent private placement will take place or that the terms of the concurrent private placement will be consistent with those assumed in this prospectus.

The pro forma as adjusted information below is illustrative only and our cash and capitalization following the closing of this offering and the concurrent private placement will be adjusted based on the actual initial public offering price and other terms of this offering and the concurrent private placement determined at pricing. You should read the following table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Capital Stock," and the financial statements and related notes appearing elsewhere in this prospectus.

	As of September 30, 2014		
	Actual	Pro Forma	Pro Forma As Adjusted[1]
	(unaudited) (in thousands, except share and per share data)		
Cash	$ 39,207	$	$
Capitalization:			
Long-term debt (including current portion)	$ 9,464	$	$
Warrant liabilities	235		
Redeemable convertible preferred stock, $0.001 par value; 24,900,000 shares authorized and 24,650,273 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	49,801		
Stockholders' deficit:			
Preferred stock, $0.001 par value; no shares authorized, issued and outstanding, actual; 10,000,000 shares authorized and no shares issued and outstanding, pro forma and pro forma as adjusted	—		
Common stock, $0.001 par value; 40,000,000 shares authorized and 6,282,323 shares issued and outstanding, actual; 200,000,000 shares authorized and 30,932,596 shares issued and outstanding, pro forma; 200,000,000 shares authorized and shares issued and outstanding, pro forma as adjusted	6		
Additional paid-in capital	1,976		
Accumulated deficit	(31,631)		
Total stockholders' deficit	(29,649)		
Total capitalization	$ 29,851	$	$

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) each of cash, additional paid-in capital, total stockholders' equity (deficit) and total capitalization 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 the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares in the number of shares offered by us would increase (decrease) each of cash, total stockholders' equity (deficit) and total capitalization by approximately $ million, assuming the assumed initial public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

The number of common shares shown in the table above is based on the number of shares of our common stock outstanding as of September 30, 2014, and excludes:

- 2,743,997 shares of common stock issuable upon the exercise of outstanding stock options as of September 30, 2014 at a weighted-average exercise price of $0.35 per share;
- 150,000 shares of common stock issuable upon the exercise of outstanding warrants as of September 30, 2014, at an exercise price of $2.00 per share;
- shares of common stock reserved for future issuance under the ESPP, which will become effective upon the execution and delivery of the underwriting agreement for this offering; and
- shares of common stock reserved for future issuance under the 2015 plan, which will become effective upon the execution and delivery of the underwriting agreement for this offering, plus 1,368,220 shares of common stock reserved for issuance under the 2011 plan, as of September 30, 2014, which shares will be added to the shares reserved under the 2015 plan upon its effectiveness.

DILUTION

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

As of September 30, 2014, we had a historical net tangible book deficit of $(29.6) million, or $(4.72) per share of common stock, based on 6,282,323 shares of common stock outstanding at September 30, 2014. Our historical net tangible book value per share represents the amount of our total tangible assets less total liabilities and redeemable convertible preferred stock, divided by the total number of shares of common stock outstanding at September 30, 2014.

On a pro forma basis, after giving effect to (1) the conversion of all our outstanding shares of redeemable convertible preferred stock as of September 30, 2014 into an aggregate of 24,650,273 shares of our common stock, and the resultant reclassification of our redeemable convertible preferred stock to stockholders' deficit and (2) the adjustment of our outstanding warrants to purchase redeemable convertible preferred stock into warrants to purchase 150,000 shares of our common stock, and the resultant reclassification of our preferred stock warrant liabilities to additional paid-in capital, a component of stockholders' deficit, all of which will occur in connection with the closing of this offering, our pro forma net tangible book deficit as of September 30, 2014 would have been approximately $( ) million, or approximately $( ) per share of our common stock.

After giving further effect to the sale of shares of common stock that we are offering at the assumed initial public offering price of $ per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and to the sale of $ of shares of our common stock at a price per share equal to the initial public offering price (or shares based on the assumed initial public offering price of $ per share) in the concurrent private placement, after deducting estimated placement agent fees and expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2014 would have been approximately $ million, or approximately $ per share. This amount represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of approximately $ per share to new investors participating in this offering. Because we have not entered into any definitive agreements with NEA related to the concurrent private placement, there can be no guarantee that the concurrent private placement will take place or that the terms of the concurrent private placement will be consistent with those assumed in this prospectus.

Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share

paid by new investors. The following table illustrates this dilution (without giving effect to any exercise by the underwriters of their over-allotment option):

Assumed initial public offering price per share		$
Historical net tangible book deficit per share at September 30, 2014, before giving effect to this offering and the concurrent private placement	$ (4.72)	
Pro forma increase per share attributable to pro forma transactions described above		
Pro forma net tangible book deficit per share at September 30, 2014, before giving effect to this offering and the concurrent private placement	$ ( )	
Increase in pro forma net tangible book value per share attributable to investors participating in this offering and the concurrent private placement		
Pro forma as adjusted net tangible book value per share after this offering and the concurrent private placement		
Dilution per share to new investors participating in this offering and the concurrent private placement		$

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the pro forma as adjusted net tangible book value per share after this offering and the concurrent private placement by approximately $, and dilution in pro forma net tangible book value per share to new investors by approximately $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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

If the underwriters exercise their over-allotment option to purchase additional shares of our common stock in full in this offering, the pro forma as adjusted net tangible book value after this offering and the concurrent private placement would be $ per share, the increase in pro forma net tangible book value per share to existing stockholders would be $ per share and the dilution per share to new investors would be $ per share, in each case based on the assumed initial public offering price of $ per share.

The foregoing discussion and table are based on 30,932,596 shares of common stock outstanding as of September 30, 2014, after giving effect to the conversion of all our outstanding

redeemable convertible preferred stock as of September 30, 2014 into an aggregate of 24,650,273 shares of common stock, and exclude:

- 2,743,997 shares of common stock issuable upon the exercise of outstanding stock options as of September 30, 2014 at a weighted-average exercise price of $0.35 per share;
- 150,000 shares of common stock issuable upon the exercise of outstanding warrants as of September 30, 2014, at an exercise price of $2.00 per share;
- shares of common stock reserved for future issuance under the ESPP, which will become effective upon the execution and delivery of the underwriting agreement for this offering; and
- shares of common stock reserved for future issuance under the 2015 plan, which will become effective upon the execution and delivery of the underwriting agreement for this offering, plus 1,368,220 shares of common stock reserved for issuance under the 2011 plan as of September 30, 2014, which shares will be added to the shares reserved under the 2015 plan upon its effectiveness.

To the extent any of these outstanding options or warrants are exercised, there will be further dilution to new investors. If all of such outstanding options and warrants had been exercised as of September 30, 2014, the pro forma as adjusted net tangible book value per share after this offering and the concurrent private placement would be $, and total dilution per share to new investors would be $.

Certain of our principal stockholders and their affiliated entities, including stockholders affiliated with our directors, have indicated an interest in purchasing up to $ million of shares of our common stock in this offering at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering. The foregoing discussion and table do not reflect any potential purchases by these stockholders.

SELECTED FINANCIAL DATA

The following tables set forth our selected financial data as of, and for the periods ended on, the dates indicated. The selected statement of operations data for the years ended December 31, 2012 and 2013 and the summary balance sheet data as of December 31, 2012 and 2013 are derived from our audited financial statements and related notes appearing elsewhere in this prospectus. The summary statement of operations data for the nine months ended September 30, 2013 and 2014 and balance sheet data as of September 30, 2014 are derived from our unaudited financial statements and related notes appearing elsewhere in this prospectus. The unaudited financial statements have been prepared on a basis consistent with our audited financial statements included in this prospectus and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly state our financial position as of September 30, 2014 and results of operations for the nine months ended September 30, 2013 and 2014. You should read this data together with our financial statements and related notes appearing elsewhere in this prospectus and the information included in the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our historical results are not necessarily indicative of results that may be expected in the future and results of interim periods are not necessarily indicative of the results for the entire year.

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2013	2013	2014
			(unaudited)	
	(in thousands, except share and per share data)			
Statement of Operations Data:				
Collaboration revenue	$ —	$ —	$ —	$ 2,558
Operating expenses:				
Research and development	3,777	6,076	4,316	5,090
General and administrative	1,449	1,484	1,096	1,394
Total operating expenses	5,226	7,560	5,412	6,484
Loss from operations	(5,226)	(7,560)	(5,412)	(3,926)
Other income (expense)	298	(148)	(84)	(334)
Net loss	(4,928)	(7,708)	(5,496)	(4,260)
Accretion to redemption value of redeemable convertible preferred stock	(216)	(248)	(183)	(202)
Net loss attributable to common stockholders	$ (5,144)	$ (7,956)	$ (5,679)	$ (4,462)
Net loss per share attributable to common stockholders, basic and diluted[(1)]	$ (0.82)	$ (1.27)	$ (0.91)	$ (0.71)
Weighted-average shares outstanding, basic and diluted[(1)]	6,249,859	6,249,859	6,249,859	6,250,062
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)[(1)]		$ (0.43)		$ (0.23)
Pro forma weighted-average shares outstanding, basic and diluted (unaudited)[(1)]		17,760,132		18,999,706

(1) See Note 1 to our financial statements included elsewhere in this prospectus for an explanation of the methods used to calculate the historical and pro forma net loss per share, basic and diluted, and the number of shares used in the computation of these per share amounts.

	As of December 31,		As of September 30,
	2012	2013	2014
			(unaudited)
	(in thousands)		
Balance Sheet Data:			
Cash	$ 2,459	$ 2,276	$ 39,207
Total assets	2,611	2,419	41,306
Working capital	1,916	328	27,411
Preferred stock warrant liabilities	—	97	235
Long-term debt, less current portion	—	1,764	5,455
Redeemable convertible preferred stock	19,069	23,929	49,801
Accumulated deficit	(19,663)	(27,371)	(31,631)
Total stockholders' deficit	(17,663)	(25,344)	(29,649)

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

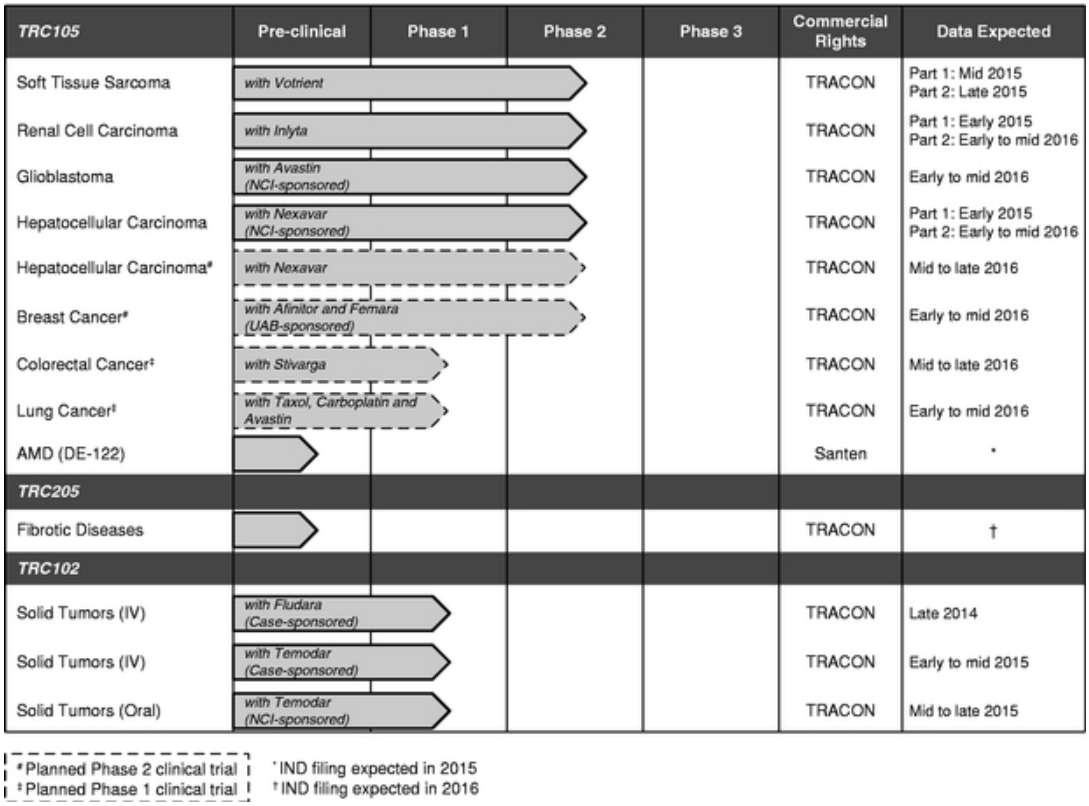
You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Financial Data" and our financial statements and the related notes and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and future financial performance, includes forward-looking statements that are based upon current beliefs, plans and expectations and involve risks, uncertainties and assumptions. You should review the "Risk Factors" section of this prospectus for a discussion of important factors that could cause our actual results and the timing of selected events to differ materially from those described in or implied by the forward-looking statements contained in the following discussion and analysis. Please also see the section of this prospectus entitled "Special Note Regarding Forward-Looking Statements."

Overview

We are a clinical stage biopharmaceutical company focused on the development and commercialization of novel targeted therapeutics for cancer, AMD and fibrotic diseases. We are a leader in the field of endoglin biology and are using our expertise to develop antibodies that bind to the endoglin receptor. Endoglin is essential to angiogenesis, the process of new blood vessel formation, and a key contributor to the development of fibrosis, or tissue scarring. Our lead product candidate, TRC105, is an anti-endoglin antibody that is being developed for the treatment of multiple solid tumor types in combination with VEGF inhibitors. TRC105 has been studied in six completed Phase 2 clinical trials and three completed Phase 1 clinical trials, and it is currently being studied in four Phase 2 clinical trials. Our other product candidates are TRC205, an anti-endoglin antibody that is in preclinical development for the treatment of fibrotic diseases, and TRC102, which is a small molecule that is in clinical development for the treatment of lung cancer and glioblastoma. In March 2014, Santen licensed from us exclusive worldwide rights to develop and commercialize our anti-endoglin antibodies for ophthalmology indications.

We have collaborated with NCI, which has selected TRC105 and TRC102 for federal funding of clinical development, as well as Case Western. Under these collaborations, NCI has sponsored or is sponsoring seven completed or ongoing clinical trials of TRC105 and TRC102, and Case Western is sponsoring two ongoing clinical trials of TRC102. We anticipate that NCI will complete ongoing Phase 2 clinical trials of TRC105 and may initiate other Phase 2 clinical trials in addition to the Phase 2 clinical trials of TRC105 that we are sponsoring. Based on correspondence with NCI in June 2014, we expect that Phase 2 clinical trials of TRC102 will be completed with NCI funding. If merited by Phase 2 data, we expect to fund initial Phase 3 clinical trials of TRC105 and TRC102 and, based on NCI's past course of conduct with similarly situated pharmaceutical companies in which it has sponsored pivotal clinical trials following receipt of positive Phase 2 data, we anticipate that NCI will sponsor Phase 3 clinical trials in additional indications.

The following chart summarizes key information regarding ongoing and planned development of our product candidate pipeline:



Since our inception in 2004, we have devoted substantially all of our resources to research and development efforts relating to our product candidates, including conducting clinical trials and developing manufacturing capabilities, in-licensing related intellectual property, providing general and administrative support for these operations and protecting our intellectual property. We have not generated any revenue from product sales and, to date, have funded our operations primarily with the aggregate net proceeds of $79.1 million from the private placement of redeemable convertible preferred stock and common stock, a $10.0 million one-time upfront fee received in connection with our collaboration with Santen and $10.0 million of commercial bank debt under our credit facility with SVB.

We do not own or operate, nor do we expect to own or operate, facilitates for product manufacturing, storage, distribution or testing. We contract with third parties for the manufacture of our product candidates, including with Lonza for the manufacture of TRC105 drug substance, and we intend to continue to do so in the future.

As of December 29, 2014, we had a portfolio of 12 issued patents and four pending patent applications in the United States and 16 issued patents and 28 pending patent applications outside the United States, with pending and issued claims relating to our product candidates. Thirteen of our issued patents cover anti-endoglin antibodies that we have selected as the core focus of our development approach. These figures include in-licensed patents and patent applications to which we hold exclusive commercial rights in non-ophthalmologic fields of use.

We have incurred losses from operations in each year since our inception. Our net losses were $7.7 million for the year ended December 31, 2013 and $4.3 million for the nine months ended September 30, 2014. As of September 30, 2014, we had an accumulated deficit of $31.6 million.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. Our net losses may fluctuate significantly from quarter to quarter and year to year. We expect our expenses will increase substantially in connection with our ongoing activities as we:

- continue to conduct clinical trials of our product candidates;
- continue our research and development efforts;
- manufacture preclinical study and clinical trial materials;
- maintain, expand and protect our intellectual property portfolio;
- seek regulatory approvals for our product candidates that successfully complete clinical trials;
- hire additional staff, including clinical, operational, financial and technical personnel to execute on our business plan and create additional infrastructure to support our operations as a public company; and
- implement operational, financial and management systems.

We do not expect to generate any revenues from product sales until we successfully complete development and obtain regulatory approval for one or more of our product candidates, which we expect will take a number of years. If we obtain regulatory approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, we will need to raise substantial additional capital beyond the expected net proceeds from this offering and the concurrent private placement. The amount and timing of our future funding requirements will depend on many factors, including the pace and results of our preclinical and clinical development efforts and the timing and nature of the regulatory approval process for our product candidates. We anticipate that we will seek to fund our operations through public or private equity or debt financings or other sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements when needed would have a negative impact on our financial condition and ability to develop our product candidates.

As of September 30, 2014, we had cash in the amount of $39.2 million. We estimate that our net proceeds from this offering and the concurrent private placement will be approximately $ million, based upon the assumed initial public offering price of $ per share, and after deducting the estimated underwriting discounts and commissions, estimated placement agent fees and estimated offering expenses payable by us. Because we have not entered into any definitive agreements with NEA related to the concurrent private placement, there can be no guarantee that the concurrent private placement will take place or that the terms of the concurrent private placement will be consistent with those assumed in this prospectus. We believe that our existing cash as of September 30, 2014 and the estimated net proceeds from this offering and the concurrent private placement, together with interest thereon, will be sufficient to meet our anticipated cash requirements for at least the next 18 months.

Collaboration and License Agreements

Santen Pharmaceutical Co., Ltd.

In March 2014, we entered into a license agreement with Santen, under which we granted Santen an exclusive, worldwide license to certain patents, information and know-how related to TRC105, or the TRC105 Technology. Under the agreement, Santen is permitted to use, develop, manufacture and commercialize TRC105 products for ophthalmology indications, excluding systemic treatment of ocular tumors. Santen also has the right to grant sublicenses to affiliates and third party collaborators, provided such sublicenses are consistent with the terms of our agreement. Santen has sole responsibility for funding, developing, seeking regulatory approval for and commercializing TRC105 products in the field of ophthalmology.

In consideration of the rights granted to Santen under the agreement, we received a one-time upfront fee of $10.0 million. In addition, we are eligible to receive up to a total of $155.0 million in milestone payments upon the achievement of certain milestones, of which $20.0 million relates to the initiation of certain development activities, $52.5 million relates to the submission of certain regulatory filings and receipt of certain regulatory approvals and $82.5 million relates to commercialization activities and the achievement of specified levels of product sales. If TRC105 products are successfully commercialized in the field of ophthalmology, Santen will be required to pay us tiered royalties on net sales ranging from high single digits to low teens, depending on the volume of sales, subject to adjustments in certain circumstances. In addition, Santen will reimburse us for all royalties due by us under certain third party agreements with respect to the use, manufacture or commercialization of TRC105 products in the field of ophthalmology by Santen and its affiliates and sublicensees. Royalties will continue on a country-by-country basis through the later of the expiration of our patent rights applicable to the TRC105 products in a given country or 12 years after the first commercial sale of the first TRC105 product commercially launched in such country.

Other License Agreements

As further described in the "Contractual Obligations and Commitments" section below, certain of our other license agreements have payment obligations that are contingent upon future events such as our achievement of specified development, regulatory and commercial milestones, and we may be required to make milestone payments and royalty payments in connection with the sale of products developed under these agreements. We do not currently have any significant ongoing annual payment obligations under these agreements.

Financial Operations Overview

Revenue

Our revenue to date has been derived solely from our March 2014 collaboration with Santen. The terms of this arrangement contain multiple deliverables, which include at inception: (1) a license to patents, information and know-how related to TRC105; (2) technology transfer; (3) collaboration, including technical and regulatory support provided by us; (4) manufacturing and supply obligations; and (5) shared CMC development activities. The license agreement provides that we may receive various types of payments, including an upfront payment, payment for various technical and regulatory support, payments for delivery of drug substance, reimbursement of certain development costs, milestone payments, and royalties on net product sales. In accordance with our revenue recognition policy described in detail below, we have identified one single unit of accounting for all the deliverables under the agreement and are recognizing revenue for the fixed or determinable collaboration consideration on a straight-line basis over the estimated development period.

We expect that any revenue we generate will fluctuate from quarter to quarter as a result of the timing of any future achievement of milestones and the extent to which any of our products are approved and successfully commercialized by us or Santen. If we or Santen fail to develop product candidates in a timely manner or obtain regulatory approval for them, our ability to generate future revenues, our results of operations and our financial position could be adversely affected.

Research and Development Expenses

Research and development expenses consist of costs associated with the preclinical and clinical development of our product candidates. These costs consist primarily of:

- salaries and employee-related expenses, including stock-based compensation and benefits for personnel in research and development functions;
- costs associated with conducting our preclinical, development and regulatory activities, including fees paid to third-party professional consultants, service providers and our scientific advisory board;
- costs incurred under clinical trial agreements with investigative sites;
- costs to acquire, develop and manufacture preclinical study and clinical trial materials;
- payments related to licensed products and technologies; and
- facilities, depreciation and other expenses, including allocated expenses for rent and maintenance of facilities.

Research and development costs, including third-party costs reimbursed by Santen as part of our collaboration, are expensed as incurred. We account for nonrefundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received.

The following table summarizes our research and development expenses by product candidate for the periods indicated:

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2013	2013	2014
			(unaudited)	
			(in thousands)	
Research and development expenses:				
Third-party research and development expenses:				
TRC105	$ 2,063	$ 3,941	$ 2,738	$ 3,129
TRC102	25	42	12	19
TRC205	—	—	—	38
Total third-party research and development expenses	2,088	3,983	2,750	3,186
Unallocated expenses	1,689	2,093	1,566	1,904
Total research and development expenses	$ 3,777	$ 6,076	$ 4,316	$ 5,090

Unallocated expenses consist primarily of our internal personnel costs, facility costs and scientific advisory board related expenses.

We plan to substantially increase our current level of research and development expenses for the foreseeable future as we: (1) continue Phase 2 development of TRC105 in our initial

oncology indications of soft tissue sarcoma, renal cell carcinoma and glioblastoma in combination with approved VEGF inhibitors, (2) expand the development program for TRC105 into large market oncology indications, (3) continue preclinical and initiate clinical development of TRC205 in fibrosis, and (4) contingent upon successful completion of Phase 2 development, initiate Phase 3 development of TRC105 in our initial oncology indications.

We cannot determine with certainty the timing of initiation, the duration or the completion costs of current or future preclinical studies and clinical trials of our product candidates due to the inherently unpredictable nature of preclinical and clinical development. Clinical and preclinical development timelines, the probability of success and development costs can differ materially from expectations. We anticipate that we will make determinations as to which product candidates to pursue and how much funding to direct to each product candidate on an ongoing basis in response to the results of ongoing and future preclinical studies and clinical trials, regulatory developments and our ongoing assessments as to each product candidate's commercial potential. We will need to raise substantial additional capital in the future. In addition, we cannot forecast which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

The costs of clinical trials to us may vary significantly based on factors such as:

- the extent to which costs are borne by third parties such as NCI;
- per patient trial costs;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up;
- the phase of development of the product candidate; and
- the efficacy and safety profile of the product candidate.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for employees in executive, finance and administration, corporate development and administrative support functions, including stock-based compensation expenses and benefits. Other significant general and administrative expenses include accounting and legal services, expenses associated with obtaining and maintaining patents, the cost of various consultants and occupancy costs.

We anticipate that our general and administrative expenses will substantially increase for the foreseeable future as we increase our headcount to support our continued research and development of our product candidates and the increased costs of operating as a public company. These increases will likely include increased costs related to the hiring of additional personnel and fees to outside consultants, lawyers and accountants, among other expenses. Additionally, we anticipate increased costs associated with being a public company, including

expenses related to services associated with maintaining compliance with NASDAQ listing rules and SEC requirements, insurance and investor relations related costs.

Other Income (Expense)

Other income (expense) primarily consists of changes in the fair value of preferred stock purchase rights that were fully settled in 2013 and changes in the fair value of preferred stock warrant liabilities related to warrants for the purchase of Series A redeemable convertible preferred stock. We do not expect any further fair value adjustments for these warrants subsequent to our initial public offering. In addition, other income (expense) includes interest charges related to our outstanding commercial bank debt.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. 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 revenues and expenses during the reporting periods. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on our historical experience and on various other factors that we believe to be 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. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ materially from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in the notes to our financial statements appearing elsewhere in this prospectus, we believe that the following accounting policies related to revenue recognition, stock-based compensation and preferred stock warrant liabilities are most critical to understanding and evaluating our reported financial results.

Revenue Recognition

We recognize revenues when all four of the following criteria are met: (1) there is persuasive evidence that an arrangement exists; (2) delivery of the products and/or services has occurred; (3) the selling price is fixed or determinable; and (4) collectibility is reasonably assured. Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue in our balance sheets. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified as deferred revenue. Amounts not expected to be recognized as revenue within the 12 months following the balance sheet date are classified as long-term deferred revenue.

We evaluate multiple-element arrangements, such as our collaboration with Santen, to determine: (1) the deliverables included in the arrangement and (2) whether the individual deliverables represent separate units of accounting or whether they must be accounted for as a combined unit of accounting. This evaluation involves subjective determinations and requires us to make judgments about the individual deliverables and whether such deliverables are separable from the other aspects of the contractual relationship. Deliverables are considered separate units of accounting provided that: (a) the delivered items have value to the customer on a standalone basis and (b) if the arrangement includes a general right of return relative to the delivered items, delivery or performance of the undelivered items is considered probable and

substantially in our control. In assessing whether an item has standalone value, we consider factors such as the research, manufacturing and commercialization capabilities of the partner and the availability of the associated expertise in the general marketplace. In addition, we consider whether the partner can use the delivered items for their intended purpose without the receipt of the remaining elements, whether the value of the deliverable is dependent on the undelivered items and whether there are other vendors that can provide the undelivered elements.

Arrangement consideration that is fixed or determinable is allocated among the separate units of accounting using the relative selling price method. We use the following hierarchy of values to estimate the selling price of each deliverable: (1) vendor-specific objective evidence of fair value; (2) third-party evidence of selling price; and (3) best estimate of selling price, or BESP. The BESP reflects our best estimate of what the selling price would be if we regularly sold the deliverable on a standalone basis. Determining the BESP for a unit of accounting requires significant judgment. In developing the BESP for a unit of accounting, we consider applicable market conditions and relevant entity-specific factors, including factors that are contemplated in negotiating an arrangement and estimated costs. We validate the BESP for units of accounting by evaluating whether changes in the key assumptions used to determine the BESP will have a significant effect on the allocation of arrangement consideration between multiple units of accounting.

We then apply the applicable revenue recognition criteria to each of the separate units of accounting in determining the appropriate period and pattern of recognition. If there is no discernible pattern of performance and/or objectively measurable performance measures do not exist, then we recognize revenue under the arrangement on a straight-line basis over the period we expect to complete our performance obligations.

With respect to revenues derived from reimbursement of direct, out-of-pocket expenses for research and development costs associated with collaborations, where we act as a principal with discretion to choose suppliers, bear credit risk, and perform part of the services required in the transaction, we record revenue for the gross amount of the reimbursement. The costs associated with these reimbursements are reflected as a component of research and development expense in the statements of operations.

Milestones

We use the milestone method of accounting and revenue is recognized when earned, as evidenced by written acknowledgement from the collaborator or other persuasive evidence that the milestone has been achieved and the payment is non-refundable, provided that the milestone event is substantive. A milestone event is defined as an event (1) that can only be achieved based in whole or in part on either our performance or on the occurrence of a specific outcome resulting from our performance; (2) for which there is substantive uncertainty at the inception of the arrangement that the event will be achieved; and (3) that would result in additional payments being due to us. Events for which the occurrence is either contingent solely upon the passage of time or the result of a counterparty's performance are not considered to be milestone events. A milestone event is substantive if all of the following conditions are met: (a) the consideration is commensurate with either our performance to achieve the milestone, or the enhancement of the value to the delivered item(s) as a result of a specific outcome resulting from our performance to achieve the milestone; (b) the consideration relates solely to past performance; and (c) the consideration is reasonable relative to all the deliverables and payment terms (including other potential milestone consideration) within the arrangement. We assess whether a milestone is substantive at the inception of each arrangement. If a milestone is deemed non-substantive, we will account for that milestone payment in accordance with the

multiple element arrangements guidance and recognize it consistent with the related units of accounting for the arrangement over the related performance period.

Stock-Based Compensation

Stock-based compensation expense represents the grant date fair value of employee stock option grants recognized as expense over the requisite service period of the awards (usually the vesting period) on a straight-line basis, net of estimated forfeitures. We estimate the fair value of stock option grants using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the risk-free interest rate, the expected dividend yield of our common stock, the expected volatility of the price of our common stock and the expected term of the option. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future. See Note 6 to our financial statements included elsewhere in this prospectus for information concerning certain of the specific assumptions we used in applying the Black-Scholes option pricing model to determine the estimated fair value of our employee stock options granted in 2012, 2013 and 2014.

The following table summarizes by grant date the number of shares of common stock underlying stock options granted from July 1, 2013 through the date of this prospectus and the associated per share exercise price and the estimated fair value per share of our common stock on the grant date:

Grant Date	Number of Common Shares Underlying Options Granted	Exercise Price per Common Share	Estimated Fair Value per Common Share
October 15, 2013	39,529	$ 0.38	$ 0.38
April 9, 2014	65,668	$ 0.68	$ 1.61
August 6, 2014	206,580	$ 1.61	$ 1.61
October 3, 2014	1,267,187	$ 1.82	$ 1.82

The following table summarizes the stock-based compensation expense recognized in our financial statements:

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2013	2013	2014
			(unaudited)	
	(in thousands)			
Research and development	$ 47	$ 184	$ 153	$ 112
General and administrative	11	91	74	43
Total stock-based compensation expense	$ 58	$ 275	$ 227	$ 155

As of December 31, 2013 and September 30, 2014, the unrecognized stock-based compensation expense related to outstanding employee stock options was $0.4 million and $0.5 million, respectively, and is expected to be recognized as expense over a weighted-average period of approximately 2.5 years and 2.7 years, respectively. The intrinsic value of all outstanding stock options as of September 30, 2014 was approximately $ million, based on the assumed initial public offering price of $ per share, of which approximately $ million related to vested options and approximately $ million related to unvested options.

Determination of the fair value of common stock

We are required to estimate the fair value of the common stock underlying our stock-based awards when performing fair value calculations, which is the most subjective input into the Black-Scholes option pricing model. The fair value of the common stock underlying our stock-based awards was determined on each grant date by our board of directors, taking into account input from management and independent third-party valuation analysis. All options to purchase shares of our common stock are intended to be granted with an exercise price per share no less than the fair value per share of our common stock underlying those options on the date of grant, based on the information known to us on the date of grant. In the absence of a public trading market for our common stock, on each grant date we develop an estimate of the fair value of our common stock in order to determine an exercise price for the option grants. Our determinations of the fair value of our common stock were made using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants *Audit and Accounting Practice Aid Series: Valuation of Privately Held Company Equity Securities Issued as Compensation*, or the Practice Aid.

Our board of directors considered various objective and subjective factors, along with input from management, to determine the fair value of our common stock, including:

- contemporaneous valuations of our common stock performed by independent third-party valuation specialists;
- our stage of development and business strategy, including the status of research and development efforts of our product candidates, and the material risks related to our business and industry;
- our results of operations and financial position, including our levels of available capital resources;
- the valuation of publicly traded companies in the life sciences and biotechnology sectors, as well as recently completed mergers and acquisitions of peer companies;
- the lack of marketability of our common stock as a private company;
- the prices of our redeemable convertible preferred stock sold to investors in arm's length transactions and the rights, preferences, and privileges of our redeemable convertible preferred stock relative to those of our common stock;
- the likelihood of achieving a liquidity event for the holders of our common stock, such as an initial public offering or a sale of our company, given prevailing market conditions;
- trends and developments in our industry;
- external market conditions affecting the life sciences and biotechnology industry sectors; and
- the composition of, and changes to, our management team and board of directors.

Common stock valuation methodologies and methods used to allocate our enterprise value to classes of securities

Our valuations were prepared in accordance with the guidelines in the Practice Aid, which prescribes several valuation approaches for setting the value of an enterprise, such as the cost, income and market approaches, and various methodologies for allocating the value of an enterprise to its common stock. The cost approach establishes the value of an enterprise based on the cost of reproducing or replacing the property less depreciation and functional or economic obsolescence, if present. The income approach establishes the value of an enterprise

based on the present value of future cash flows that are reasonably reflective of our company's future operations, discounting to the present value with an appropriate risk adjusted discount rate or capitalization rate. The market approach is based on the assumption that the value of an asset is equal to the value of a substitute asset with the same characteristics. Each valuation methodology was considered in our valuations. We utilized a backsolve market approach for each valuation in 2012 and 2013 and to determine the exercise price of stock options granted on April 9, 2014 based on the arm's length sales of our Series A redeemable convertible preferred stock.

In accordance with the Practice Aid, we considered the various methods for allocating the enterprise value across our classes and series of capital stock to determine the fair value of our common stock at each valuation date. Prior to our June 30, 2014 valuation, we concluded that the Option Pricing Method, or OPM, was most appropriate for each of the contemporaneous valuations of our common stock performed by independent third-party valuation specialists. We believed that the OPM was the most appropriate given the expectation of various potential liquidity outcomes and the difficulty of selecting and supporting appropriate enterprise values given our early stage of development. Under the OPM, shares are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class. The values of the preferred and common stock are inferred by analyzing these options.

June 30, 2014 Valuation Report and Retrospective Reassessment of Fair Value

As part of the preparation of the financial statements necessary for inclusion in the registration statement related to this offering, we reassessed the fair value of our common stock on a retrospective basis for financial reporting purposes. For purposes of this reassessment, we relied in part on an appraisal of the value of our common stock as of June 30, 2014 that was prepared by an independent third-party valuation specialist using methodologies, approaches and assumptions consistent with the Practice Aid.

During the three months ended June 30, 2014, our board of directors first considered an initial public offering, which resulted in a change to both our expected time to a liquidity event and the nature of the expected liquidity event. As a result, the valuation method utilized for the June 30, 2014 valuation was changed to a hybrid OPM and Probability-Weighted Expected Return Method, or PWERM, in order to compensate for these factors. Under this hybrid method, we considered the expected initial public offering liquidity scenario, but also used a backsolve method to capture all other scenarios in the event a near-term initial public offering does not occur. To determine the enterprise value in the initial public offering liquidity scenario we utilized a market approach based on the pre-money valuations of recent biotechnology initial public offering transactions, and the enterprise value used in the OPM model was based on input from potential third-party investors in the company. The present value of our common stock under each scenario was then weighted based on the probability of each scenario occurring to determine the fair value of our common stock.

The June 30, 2014 valuation resulted in a common stock fair value of $1.61 per share. We concluded that the exercise price for the stock options granted during 2013 did not differ from their fair value at the date of grant. However, in light of the fact that our board of directors first considered an initial public offering in the second quarter of 2014, we applied the June 30, 2014 common stock fair value of $1.61 per share to the April 9, 2014 stock options granted at an exercise price of $0.68 per share to determine the stock-based compensation expense which is recorded in our financial statements.

For the common stock options granted on August 6, 2014, our board of directors determined that the fair value of our common stock was $1.61 per share, in consideration of the

valuation analysis as of June 30, 2014 and the other objective and subjective factors described above. As part of this determination, our board of directors concluded that no significant internal or external value-generating events had taken place between the June 30, 2014 and the August 6, 2014 grant date.

September 19, 2014 Valuation Report and October 3, 2014 Option Grants

In connection with the closing of our Series B financing, our board of directors elected to grant stock options to each of our employees and a non-employee director. As a result, options to purchase an aggregate of 1,267,187 shares of our common stock were granted on October 3, 2014. Our board of directors determined the fair value of our common stock on the date of grant based in part on an appraisal of the value of our common stock as of September 19, 2014 that was prepared by an independent third-party valuation specialist using methodologies, approaches and assumptions consistent with the Practice Aid. The valuation was prepared on substantially the same basis as our June 30, 2014 common stock valuation, with the exception of updated assumptions regarding the increased probability that we complete an initial public offering in the near-term and certain other assumptions regarding the timing, value and probability of other scenarios in the event a near-term initial public offering does not occur. The September 19, 2014 valuation resulted in the $1.82 fair value that was utilized for the option grants as our board of directors concluded that no significant internal or external value-generating events had taken place between the September 19, 2014 valuation report and the October 3, 2014 grant date. The fair value of $1.82 per common share represents only a 17% discount to the price of our Series B redeemable convertible preferred stock with rights, preferences and privileges superior to our common stock. Our Series B redeemable convertible preferred stock was issued in September 2014 for a price of approximately $2.19 per share as a result of arm's length negotiations with third party investors.

Following the closing of this offering, our board of directors will determine the fair value of our common stock based on its closing price as reported on the date of grant on the primary stock exchange on which our common stock is traded.

Preferred Stock Warrant Liabilities

We classify freestanding warrants for the purchase of shares of our redeemable convertible preferred stock as liabilities on our balance sheets at their estimated fair value since the underlying redeemable convertible preferred stock has been classified as temporary equity. At the end of each reporting period, changes in the estimated fair value during the period are recorded as a component of other income (expense). We will continue to adjust the fair value of these warrants until the earlier of the exercise of the warrants or the time at which the underlying securities are no longer classified as temporary equity, including the completion of this offering. We estimate the fair values of the redeemable convertible preferred stock warrants using the Black-Scholes option pricing model based on inputs as of the valuation measurement dates for: the estimated fair value of the underlying redeemable convertible preferred stock; the remaining contractual terms of the warrants; the risk-free interest rates; the expected dividend yield and the estimated volatility of the price of the redeemable convertible preferred stock. The completion of this offering will result in the conversion of all of our redeemable convertible preferred stock into common stock and the warrants will become exercisable for shares of our common stock. Upon such conversion, the redeemable convertible preferred stock warrants will be classified as a component of stockholders' equity (deficit) and will no longer be subject to remeasurement.

Other Company Information

Net Operating Loss and Research and Development Tax Credit Carryforwards

At December 31, 2013, we had federal and California net operating loss, or NOL, carryforwards, each of approximately $17.2 million. The federal and California NOL carryforwards will begin expiring in 2029, unless previously utilized. At December 31, 2013, we had federal and California research and development credit carryforwards of approximately $0.5 million and $0.3 million, respectively. The federal research and development credit carryforwards will begin expiring in 2031, unless previously utilized. The California research and development credit carryforwards do not expire unless limited by Section 382 as discussed below.

Pursuant to Sections 382 and 383 of the Code, our annual use of our NOL and research and development credit carryforwards may be limited in the event that a cumulative change in ownership of more than 50% occurs within a three-year period. We completed a Section 382/383 analysis, regarding the limitation of our NOL and research and development credit carryforwards as of December 31, 2011. As a result of the analysis, an ownership change was determined to have occurred. We have excluded these tax attributes from our deferred tax assets with a corresponding reduction of the valuation allowance with no net effect on our income tax expense or our effective tax rate. Future ownership changes as a result of the closing of this offering and the concurrent private placement or subsequent shifts in our stock ownership may further limit our ability to utilize our remaining NOL and research and development tax credit carryforwards. As of December 31, 2013, we had a full valuation allowance against our deferred tax assets.

JOBS Act

On April 5, 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including without limitation, (1) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (2) complying 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, known as the auditor discussion and analysis.

We will remain an "emerging growth company" until the earliest of (1) the last day of the fiscal year in which we have total annual gross revenues of $1 billion or more, (2) the last day of our fiscal year following the fifth anniversary of the date of the closing of this offering, (3) the date on which we have issued more than $1 billion in non-convertible debt during the previous three years or (4) the date on which we are deemed to be a large accelerated filer under the rules of the SEC with at least $700 million of outstanding equity securities held by non-affiliates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue from Contracts with Customers*, which converges the FASB and the International Accounting Standards Board standard on revenue recognition. Areas of revenue recognition that will be affected include, but are not limited to, transfer of control, variable consideration, allocation of transfer pricing, licenses, time value of money, contract costs and disclosures. This guidance is effective for the fiscal years and interim reporting periods beginning after December 15, 2016. We are currently evaluating the impact that the adoption of ASU 2014-09 will have on our financial statements and related disclosures.

In June 2014, the FASB issued ASU No. 2014-10, *Development Stage Entities (Topic 915) Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*. This ASU does the following among other things (1) eliminates the requirement to present inception-to-date information on the statements of income, cash flows, and stockholders' equity, (2) eliminates the need to label the financial statements as those of a development stage entity, (3) eliminates the need to disclose a description of the development stage activities in which the entity is engaged, and (4) amends FASB Accounting Standards Codification, or ASC, 275, *Risks and Uncertainties*, to clarify that information on risks and uncertainties for entities that have not commenced planned principal operations is required. The amendments in ASU No. 2014-10 related to the elimination of Topic 915 disclosures and the additional disclosure for Topic 275 are effective for public companies for annual and interim reporting periods beginning after December 15, 2014. We have early adopted this new guidance in our financial statements for the year ended December 31, 2013, and therefore have not labeled our financial statements as those of a development stage entity or included the previously required inception-to-date information.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to evaluate relevant conditions, events and certain management plans that are known or reasonably knowable that when, considered in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued, for both annual and interim periods. ASU 2014-15 also requires certain disclosures around management's plans and evaluation, as well as the plans, if any, that are intended to mitigate those conditions or events that will alleviate the substantial doubt. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. We are currently evaluating the impact that the adoption of ASU 2014-15 will have on our financial statements and related disclosures.

Results of Operations

Comparison of the Nine Months Ended September 30, 2013 and 2014

The following table summarizes our results of operations for the nine months ended September 30, 2013 and 2014:

	Nine Months Ended September 30,		Increase / (Decrease)
	2013	2014	
	(unaudited)		
	(in thousands)		
Collaboration revenue	$ —	$ 2,558	$ 2,558
Research and development expenses	4,316	5,090	774
General and administrative expenses	1,096	1,394	298
Other income (expense)	(84)	(334)	(250)

Collaboration revenue. Collaboration revenue was $0 and $2.6 million for the nine months ended September 30, 2013 and 2014, respectively. The increase in revenue was as a result of the collaboration we entered into with Santen in March 2014. Prior to our collaboration with Santen in 2014, we did not engage in any revenue generating activities.

Research and development expenses. Research and development expenses were $4.3 million and $5.1 million for the nine months ended September 30, 2013 and 2014, respectively. The increase of $0.8 million was due primarily to increased manufacturing, clinical sample analysis and other expenses related to TRC105, increased research and development headcount and salary and bonus increases in 2014.

General and administrative expenses. General and administrative expenses were $1.1 million and $1.4 million for the nine months ended September 30, 2013 and 2014, respectively. The increase of $0.3 million in our general and administrative expense was due primarily to increased legal expenses related to our licensing activities and salary and bonus increases in 2014.

Other income (expense). Other income (expense) was $(84,000) and $(334,000) for the nine months ended September 30, 2013 and 2014, respectively. The increase of $250,000 in other expense was primarily the result of interest expense related to the aggregate amount of $10.0 million we borrowed under our credit facility with SVB in November 2013, June 2014, and September 2014, offset by changes in the fair value of our preferred stock rights and preferred stock warrant liabilities.

Comparison of the Years Ended December 31, 2012 and 2013

The following table summarizes our results of operations for the years ended December 31, 2012 and 2013:

	Years Ended December 31,		Increase / (Decrease)
	2012	2013	
	(in thousands)		
Collaboration revenue	$ —	$ —	$ —
Research and development expenses	3,777	6,076	2,299
General and administrative expenses	1,449	1,484	35
Other income (expense)	298	(148)	(446)

Collaboration revenue. Prior to 2014, we did not engage in any revenue generating activities.

Research and development expenses. Research and development expenses were $3.8 million and $6.1 million for the years ended December 31, 2012 and 2013, respectively. The increase of $2.3 million was due primarily to manufacturing, clinical sample analysis and other expenses related to TRC105, personnel-related costs, consulting expense and stock-based compensation expense.

General and administrative expenses. General and administrative expenses were $1.4 million and $1.5 million for the years ended December 31, 2012 and 2013, respectively. The increase of $0.1 million was due primarily to increased general and administrative headcount offset by decreased legal fees associated with patent filings and decreased outside accounting and tax services in 2013.

Other income (expense). Other income (expense) was $0.3 million and $(0.1) million for the years ended December 31, 2012 and 2013, respectively. The decrease of $0.4 million in

other income was primarily the result of interest expense related to the $2.5 million we borrowed under our credit facility with SVB in November 2013 and the changes in fair value of our preferred stock purchase rights and preferred stock warrant liabilities.

Liquidity and Capital Resources

We have incurred losses and negative cash flows from operations since our inception, with the exception of the nine months ended September 30, 2014, when we received a $10.0 million one-time upfront payment in connection with our collaboration with Santen. As of September 30, 2014, we had an accumulated deficit of $31.6 million, and we expect to continue to incur net losses for the foreseeable future. As of September 30, 2014, we had cash in the amount of $39.2 million.

Sources of Liquidity

From our inception through September 30, 2014, we have funded our operations primarily with the aggregate net proceeds of $79.1 million from the private placement of redeemable convertible preferred stock and common stock, a $10.0 million one-time upfront fee received in connection with our collaboration with Santen and $10.0 million of commercial bank debt under our credit facility with SVB. In September 2014, we sold 12,400,274 shares of our Series B redeemable convertible preferred stock for net proceeds of approximately $25.7 million.

Credit Facility with SVB

In November 2013, we borrowed $2.5 million under a loan and security agreement with SVB, which we refer to as the SVB Loan. We were obligated to make interest-only payments through May 2014 and, beginning in June 2014, equal payments of principal and interest through the maturity date of August 1, 2016. The interest rate is a per annum fixed rate of 5.0%. The final payment due includes an additional fee of 7.0% of the loan amount, or $0.2 million. The SVB Loan is collateralized by all of our assets, other than our intellectual property, and contains customary events of default. In connection with the SVB Loan, we issued a warrant to purchase 37,500 shares of Series A redeemable convertible preferred stock at an exercise price of $2.00 per share. The warrant is fully exercisable and expires on November 14, 2023.

The SVB Loan contains customary conditions of borrowing, events of default and covenants, including covenants that restrict our ability to dispose of assets, merge with or acquire other entities, incur indebtedness and make distributions to holders of our capital stock. Should an event of default occur, including the occurrence of a material adverse change, we could be liable for immediate repayment of all obligations under the SVB Loan.

In June 2014, we entered into an amended loan and security agreement with SVB, which we refer to as the Amended SVB Loan. The amendment did not modify the repayment terms of the $2.5 million previously borrowed under the SVB Loan. The Amended SVB Loan provides us with a new $7.5 million growth capital loan facility, available to us in two advances at a per annum fixed interest rate of 4.5%. The first advance of $5.0 million was drawn in conjunction with securing the Amended SVB Loan in June 2014. The second advance of $2.5 million was drawn in September 2014. We are obligated to make interest-only payments on all outstanding advances under the Amended SVB Loan through November 30, 2014, and subsequently obligated to make monthly principal and interest payments to fully amortize the outstanding balance through the November 1, 2016 maturity date. The final payment due includes an additional fee of 9.0% of all growth capital advances and prepayment of loan amounts are subject to additional fees. In connection with the Amended SVB Loan, we issued a warrant to purchase 112,500 shares of Series A redeemable convertible preferred stock at an exercise price of $2.00 per share. The warrant is fully exercisable and expires on June 4, 2024.

Cash Flows

The following table summarizes our net cash flow activity for each of the periods set forth below:

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2013	2013	2014
			(unaudited)	
	(in thousands)			
Net cash provided by (used in):				
Operating activities	$ (5,431)	$ (6,670)	$ (4,784)	$ 4,925
Investing activities	(10)	(7)	(5)	(41)
Financing activities	3,974	6,494	3,994	32,047
Net (decrease) increase in cash	$ (1,467)	$ (183)	$ (795)	$ 36,931

Operating activities. Net cash used in operating activities was $5.4 million and $6.7 million for the years ended December 31, 2012 and 2013, respectively, and $4.8 million for the nine months ended September 30, 2013. The net cash used in operating activities in each of these periods was primarily due to our net losses and changes in our accounts payable and accrued expense accounts. Net cash provided by operating activities during the nine months ended September 30, 2014 was $4.9 million and was primarily the result of $7.7 million of deferred revenue related to the $10.0 million one-time upfront payment received in conjunction with our collaboration with Santen, offset by our net loss for the period.

Investing activities. Net cash used in investing activities was due to property and equipment purchases in each period.

Financing activities. Net cash provided by financing activities was $4.0 million and $6.5 million for the years ended December 31, 2012 and 2013, respectively. Net cash provided by financing activities during the year ended December 31, 2012 resulted from our sale of Series A redeemable convertible preferred stock. Net cash provided by financing activities during the year ended December 31, 2013 was a result of $4.0 million of net proceeds from our sale of Series A redeemable convertible preferred stock and the $2.5 million of proceeds from our SVB Loan. Net cash provided by financing activities was $4.0 million for the nine months ended September 30, 2013 and was a result of the net proceeds from our sale of Series A redeemable convertible preferred stock. Net cash provided by financing activities was $32.0 million for the nine months ended September 30, 2014 and was a result of $25.7 million of net proceeds from our sale of Series B redeemable convertible preferred stock in September 2014, net borrowings from our credit facility with SVB and costs paid in connection with our initial public offering contemplated by this prospectus.

Funding Requirements

As of September 30, 2014, we had cash in the amount of $39.2 million. We estimate that our net proceeds from this offering and the concurrent private placement will be approximately $ million, based upon the assumed initial public offering price of $ per share, and after deducting the estimated underwriting discounts and commissions, estimated placement agent fees and estimated offering expenses payable by us. Because we have not entered into any definitive agreements with NEA related to the concurrent private placement, there can be no guarantee that the concurrent private placement will take place or that the terms of the concurrent private placement will be consistent with those assumed in this prospectus. We

believe that our existing cash as of September 30, 2014 and the estimated net proceeds from this offering and the concurrent private placement, together with interest thereon, will be sufficient to meet our anticipated cash requirements for at least the next 18 months. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially.

Our future capital requirements are difficult to forecast and will depend on many factors, including:

- our ability to enter into and maintain our collaborations, including our collaboration with Santen;
- our ability to achieve, and our obligations to make, milestone payments under our collaboration and license agreements;
- our ability to initiate, and the progress and results of, our planned clinical trials of TRC105;
- Santen's ability to initiate, and the progress and results of, Santen's planned clinical trials of DE-122;
- the scope, progress, results and costs of preclinical development, and clinical trials of our other product candidates;
- the costs, timing and outcome of regulatory review of our product candidates;
- the revenue, if any, received from commercial sales of our product candidates for which we or any of our partners, including Santen, may receive marketing approval;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;
- the costs and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval and do not partner for commercialization; and
- the extent to which we acquire or in-license other products and technologies.

Until we can generate substantial product revenues, if ever, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, collaborations and licensing arrangements.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations at December 31, 2013:

	Total	Payments Due by Period: Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
		(in thousands)			
Long-term debt obligations, including interest and final payment[1]	$ 2,878	$ 740	$ 2,138	$ —	$ —
Operating lease obligations[2]	416	102	267	47	—
Total	$ 3,294	$ 842	$ 2,405	$ 47	$ —

(1) Amounts do not include the $5.0 million and $2.5 million borrowed in June 2014 and September 2014, respectively, under the Amended SVB Loan. We will make principal and interest payments to SVB with respect to these draws of $0.4 million in 2014, $3.9 million in 2015 and $4.3 million in 2016.

(2) Our operating lease obligations relate to our corporate headquarters in San Diego, California. We lease 3,548 square feet of office space under an operating lease that expires in April 2017. Amounts do not include the impact of the September 2014 amendment to our operating lease that expanded leased space to 5,034 square feet. Our total future minimum payments under the agreement increased by approximately $0.2 million and the April 2017 expiration date of the lease was unchanged.

Under each of our license agreements we may have payment obligations that are contingent upon future events such as our achievement of specified development, regulatory and commercial milestones and are required to make development milestone payments and royalty payments in connection with the sale of products developed under these agreements. We do not have any significant ongoing annual payment obligations under these license agreements. As of December 31, 2013, we were unable to estimate the timing or likelihood of achieving the milestones or making future product sales and, therefore, any related payments are not included in the table above. These commitments include the following:

- Under our license agreement with Health Research Inc. and Roswell Park Cancer Institute, referred to collectively as RPCI, we may be required to pay up to an aggregate of approximately $6.4 million ($0.4 million of which we have already paid) upon the achievement of certain milestones for products utilizing certain intellectual property licensed from RPCI, or the RPCI Technology, including TRC105, of which approximately $1.4 million ($0.4 million of which we have already paid) relates to the initiation of certain development activities and $5.0 million relates to certain regulatory filings and approvals. We may also be required to pay up to an aggregate of approximately $6.4 million upon the achievement of certain milestones for products utilizing a patent owned by us covering humanized anti-endoglin antibodies, including TRC205, of which approximately $1.4 million relates to the initiation of certain development activities and $5.0 million relates to certain regulatory filings and approvals. Upon commercialization, we will be required to pay RPCI mid single-digit royalties based on net sales of products utilizing the RPCI Technology in each calendar quarter, subject to adjustments in certain circumstances. In addition, we will be required to pay RPCI low single-digit royalties based on net sales in each calendar quarter of products utilizing our patent covering humanized anti-endoglin antibodies. Our royalty obligations continue until the expiration of the last valid claim in a patent subject to the agreement, which we expect to occur in 2029, based on the patents currently subject to the agreement.

- Under our license agreement with Case Western, we may be required to pay up to an aggregate of approximately $9.8 million in milestone payments, of which $650,000 relates to the initiation of certain development activities and approximately $9.1 million relates to the submission of certain regulatory filings and receipt of certain regulatory approvals. If products utilizing certain intellectual property licensed from Case Western, or the TRC102

Technology, are successfully commercialized, we will be required to pay Case Western a single-digit royalty on net sales, subject to adjustments in certain circumstances. Beginning on the earlier of a specified number of years from the effective date of the agreement and the anniversary of the effective date following the occurrence of a specified event, we will be required to make a minimum annual royalty payment of $75,000, which will be credited against our royalty obligations. In the event we sublicense any of our rights under the agreement relating to the TRC102 Technology, we will be obligated to pay Case Western a portion of certain fees we may receive under the sublicense. Our royalty obligations will continue on a country-by-country basis through the later of the expiration of the last valid claim under the TRC102 Technology or 14 years after the first commercial sale of a product utilizing the TRC102 Technology in a given country.

- Under our license agreement with Lonza, we are required to pay Lonza a low single-digit percentage royalty on the net selling price of TRC105 product manufactured by Lonza. In the event that we or a strategic partner or collaborator manufactures the product, we will be required to pay Lonza an annual lump sum payment of £75,000, along with a low single-digit percentage royalty on the net selling price of the manufactured TRC105 product. In the event that we sublicense our manufacturing rights under the agreement (other than to a strategic partner or collaborator), we will be obligated to pay Lonza an annual lump sum payment of £300,000 per sublicense, along with a low single-digit percentage royalty on the net selling price of the manufactured TRC105 product. If, on a country-by-country basis, the manufacture or sale of the TRC105 product is not protected by a valid claim in a licensed patent, our royalty obligations in such country will decrease and will expire 12 years after the first commercial sale of the product.

We enter into contracts in the normal course of business with clinical trial sites and clinical supply manufacturing organizations and with vendors for preclinical safety and research studies, research supplies and other services and products for operating purposes. These contracts generally provide for termination on notice, and therefore are cancelable contracts and not included in the table of contractual obligations and commitments.

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our cash and cash equivalents consist of cash and a money market fund. We do not hold any short-term investments. As a result, the fair value of our portfolio is relatively insensitive to interest rate changes. Our long-term debt bears interest at a fixed rate.

Foreign Currency Exchange Risk

We incur significant expenses, including for manufacturing of clinical trial materials, outside the United States based on contractual obligations denominated in currencies other than the U.S. dollar, including Pounds Sterling. At the end of each reporting period, these liabilities are converted to U.S. dollars at the then-applicable foreign exchange rate. As a result, our business is affected by fluctuations in exchange rates between the U.S. dollar and foreign currencies. We do not enter into foreign currency hedging transactions to mitigate our exposure to foreign currency exchange risks. Exchange rate fluctuations may adversely affect our expenses, results of operations, financial position and cash flows. However, to date, these fluctuations have not been significant. Based on our purchase commitments for fiscal 2014, a

movement of 10% in the U.S. dollar to Pounds Sterling exchange rate would not have a material effect on our results of operations or financial condition.

Effects of Inflation

Inflation generally affects us by increasing our cost of labor and clinical trial costs. We do not believe that inflation has had a material effect on our results of operations or financial condition during the periods presented.

BUSINESS

Overview

We are a clinical stage biopharmaceutical company focused on the development and commercialization of novel targeted therapeutics for cancer, age-related macular degeneration, or AMD, and fibrotic diseases. We are a leader in the field of endoglin biology and are using our expertise to develop antibodies that bind to the endoglin receptor. Endoglin is essential to angiogenesis, the process of new blood vessel formation, and a key contributor to the development of fibrosis, or tissue scarring. Our lead product candidate, TRC105, is an anti-endoglin antibody that is being developed for the treatment of multiple solid tumor types in combination with inhibitors of the vascular endothelial growth factor, or VEGF, pathway. The VEGF pathway regulates vascular development in the embryo, or vasculogenesis, and angiogenesis. TRC105 has been studied in six completed Phase 2 clinical trials and three completed Phase 1 clinical trials, and is currently being studied in four Phase 2 clinical trials. We expect topline data in all of these ongoing clinical trials by late 2015 to mid 2016 and, if results are positive, we expect to initiate Phase 3 clinical trials for one or more initial indications of soft tissue sarcoma, renal cell carcinoma, glioblastoma, an aggressive form of brain cancer, and hepatocellular carcinoma by the end of 2016.

We believe treatment with TRC105 in combination with VEGF inhibitors may improve survival in cancer patients when compared to treatment with a VEGF inhibitor alone. In initial clinical trials of more than 250 patients, TRC105 has shown good tolerability and promising anti-tumor activity, particularly in combination with VEGF inhibitors. In a Phase 1/2 clinical trial of TRC105 with Avastin (bevacizumab), a large molecule VEGF inhibitor, that primarily enrolled patients with colorectal and ovarian cancer whose cancer had progressed on prior Avastin treatment the combination demonstrated anti-tumor activity. Specifically, of 25 evaluable patients treated previously with VEGF inhibitors, 16 patients (64%) had stable disease, of whom 10 patients (40%) had partial responses. Six responding patients treated with prior VEGF inhibitors (24%) remained without cancer progression longer than during their prior VEGF inhibitor therapy, and were therefore considered to have durable responses. TRC105 has also been administered with the VEGF inhibitors Nexavar (sorafenib), Votrient (pazopanib) and Inlyta (axitinib) in three ongoing clinical trials. In the ascending dose portion of a Phase 2 clinical trial of TRC105 with Inlyta in patients with renal cell carcinoma, 10 of 17 patients (59%) demonstrated partial responses. In the ascending dose portion of a Phase 2 clinical trial of TRC105 with Nexavar in patients with hepatocellular carcinoma, three of the 13 patients (23%) treated at recommended Phase 2 doses of TRC105 (10 mg/kg or 15 mg/kg) demonstrated partial responses, in a setting where the expected partial response rate of Nexavar alone is 2%. In the ascending dose portion of a Phase 2 clinical trial of TRC105 with Votrient, several patients have demonstrated tumor reductions, and a patient with angiosarcoma has an ongoing complete response to treatment.

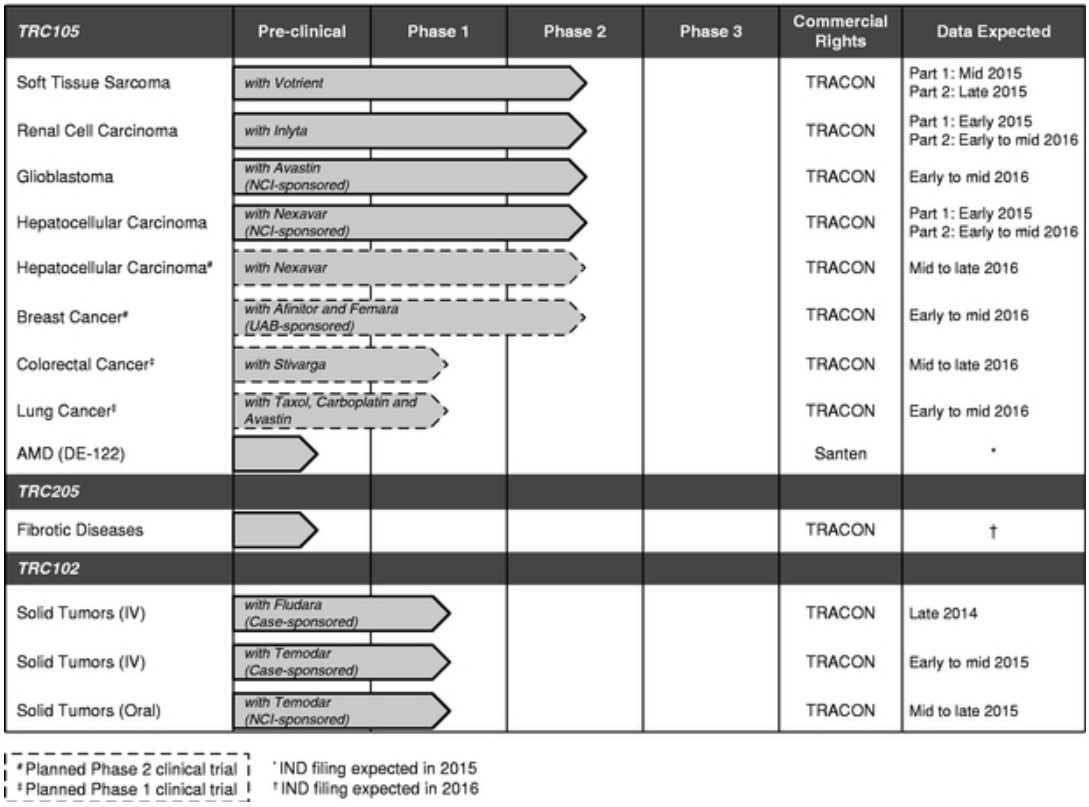
Our other anti-endoglin antibody is TRC205, which is in preclinical development for the treatment of fibrotic diseases. We are also developing TRC102, a small molecule that is in clinical development for the treatment of lung cancer and glioblastoma.

We operate a clinical development model that emphasizes capital efficiency. Our experienced clinical operations and regulatory affairs groups enable us to eliminate the cost associated with hiring contract research organizations to manage clinical, regulatory and database aspects of our Phase 1 and Phase 2 clinical trials. We have also collaborated with the National Cancer Institute, or NCI, which has selected TRC105 and TRC102 for federal funding of clinical development, as well as Case Western Reserve University, or Case Western. Under these collaborations, NCI has sponsored or is sponsoring seven completed or ongoing clinical trials of TRC105 and TRC102, and Case Western is sponsoring two ongoing clinical trials of TRC102. If

merited by Phase 2 data, we expect to fund initial Phase 3 clinical trials of TRC105, and, based on NCI's past course of conduct with similarly situated pharmaceutical companies in which it has sponsored pivotal clinical trials following receipt of positive Phase 2 data, we expect that Phase 3 clinical trials of TRC105 in additional indications will be sponsored by NCI.

In March 2014, Santen Pharmaceutical Co., Ltd., or Santen, a global ophthalmology company, licensed from us exclusive worldwide rights to develop and commercialize our anti-endoglin antibodies, including TRC105 and TRC205, for ophthalmology indications, including AMD. We retain global rights to develop and commercialize our anti-endoglin antibodies outside of the field of ophthalmology, as well as global rights to TRC102 in all indications.

The following chart summarizes key information regarding ongoing and planned development of our product candidate pipeline:



We are developing TRC105 for use in combination with agents that inhibit angiogenesis by targeting the VEGF pathway. VEGF, like endoglin, is required for angiogenesis. While multiple VEGF inhibitors have been approved and have achieved commercial success, nearly all cancer patients develop resistance to this class of treatment and many do not respond at the onset. Targeting endoglin concurrently with the VEGF pathway has been shown to improve angiogenesis inhibition and the treatment of cancer in preclinical models. TRC105 binds to the endoglin receptor at a precise location to inhibit endothelial cell activation and angiogenesis. Certain manufacturers of approved VEGF inhibitors that we are studying in combination with TRC105 have agreed to supply their drug at no cost for use in the applicable clinical trials.

TRC105 is being studied in combination with VEGF inhibitors in four ongoing Phase 2 clinical trials for oncology indications, including soft tissue sarcoma, renal cell carcinoma, glioblastoma and hepatocellular carcinoma. We consider these initial indications attractive because the endpoints for regulatory approval may be attained more quickly than the endpoints for other indications. We also expect that these initial indications would be for the same lines of treatment for which the companion VEGF inhibitor is approved. We were previously in late-stage negotiations with a large pharmaceutical company to license them the rights to develop and commercialize TRC105 in the field of oncology (including an option for us to co-develop and co-commercialize in the United States), but in light of our Series B financing, we elected not to pursue the license and to retain our global rights to TRC105 in the field of oncology.

We have produced formulations of TRC105 for development in ophthalmology, which are initially being developed for the treatment of wet AMD, the leading cause of blindness in the Western world. In March 2014, Santen licensed from us exclusive worldwide rights to develop and commercialize our anti-endoglin antibodies, including TRC105, for ophthalmology indications. We retain global rights to develop our anti-endoglin antibodies outside of the field of ophthalmology. Santen is expected to file an Investigational New Drug application, or IND, for the development of TRC105 for ophthalmology indications under the name DE-122.

TRC205, a humanized, deimmunized anti-endoglin antibody, is being developed for the treatment of fibrotic diseases. Diseases characterized by fibrosis, the harmful buildup of excessive fibrous tissue leading to scarring and ultimately organ failure, include nonalcoholic steatohepatitis, or NASH, idiopathic pulmonary fibrosis, or IPF, renal fibrosis, cardiac fibrosis and scleroderma. Preclinical and clinical data demonstrated increased endoglin expression in patients with heart failure and showed that inhibiting endoglin reduced cardiac fibrosis, preserved heart function and improved survival in mouse models of heart failure. Subsequent preclinical research in mouse models indicated that antibodies to endoglin inhibit cardiac and liver fibrosis. Although initial findings indicate endoglin's importance in cardiac and liver fibrosis, we believe these findings may also be applicable to other fibrotic diseases, including NASH, IPF, myelofibrosis and other indications.

TRC102 is a small molecule inhibitor of DNA repair intended to reverse resistance to chemotherapy, including the agents used in the treatment of lung cancer and glioblastoma. We have completed a Phase 1 clinical trial of TRC102 in combination with Alimta (pemetrexed), a chemotherapy drug approved for the treatment of lung cancer and mesothelioma. Patients who received TRC102 and Alimta demonstrated reduction in tumor masses, including partial response, and lung cancer patients with squamous histology, a tumor type resistant to Alimta treatment, demonstrated stable disease. TRC102 is currently being studied in combination with the approved chemotherapy drugs Temodar (temozolomide) and Fludara (fludarabine) in Phase 1 clinical trials sponsored by Case Western. NCI has selected TRC102 for federal funding of clinical development and is conducting a Phase 1 clinical trial of oral TRC102 with Temodar in patients with advanced treatment-resistant tumors. We expect NCI to sponsor a Phase 1/2 clinical trial of TRC102 with Temodar in patients with glioblastoma, a Phase 1 clinical trial of TRC102 with Alimta and cisplatin in patients with mesothelioma, a Phase 1 clinical trial of TRC102 with chemotherapy and radiation therapy in lung cancer and a Phase 2 clinical trial of TRC102 with Alimta in patients with lung cancer. We retain global rights to develop TRC102, and, based on correspondence with NCI in June 2014, we expect that development of TRC102 through Phase 2 clinical trials will be completed with NCI funding. If merited by Phase 2 data, we expect to fund initial Phase 3 clinical trials and, based on NCI's past course of conduct with similarly situated pharmaceutical companies in which it has sponsored pivotal clinical trials following receipt of positive Phase 2 data, we expect that Phase 3 clinical trials in additional indications will be sponsored by NCI.

Our experienced clinical operations and regulatory affairs groups are responsible for significant aspects of our clinical trials, including site monitoring, regulatory compliance, database management and clinical study report preparation. We use this internal resource to eliminate the cost associated with hiring contract research organizations, or CROs, to manage clinical, regulatory and database aspects of the Phase 1 and Phase 2 clinical trials that we sponsor in the United States. In our experience, this model has resulted in capital efficiencies and improved communication with clinical trial sites, which expedite patient enrollment and access to patient data as compared to a CRO-managed model, and we plan to leverage this capital efficient model for future product development.

We expect to seek orphan drug designation for TRC105 for the treatment of soft tissue sarcoma and glioblastoma and for TRC102 for the treatment of glioblastoma and mesothelioma. If granted, orphan drug designation may provide financial incentives, such as opportunities for grant funding towards clinical trial costs, tax advantages and U.S. Food and Drug Administration, or FDA, user-fee waivers, as well as the potential for a period of market exclusivity. In addition, we intend to seek expedited review through FDA Fast Track designation for all of our eligible product candidates, which is a process designed to facilitate the development and expedite the FDA's review of drugs to treat serious conditions and fill unmet medical needs. However, there is no guarantee that we will receive these designations or the related potential benefits. For example, even if we do receive Fast Track designation, we may not experience a faster development process, review or approval compared to conventional FDA procedures.

Our Strategy

Our goal is to be a leader in the development of targeted therapies for patients with cancer and other diseases of high unmet medical need. As key components of our strategy, we intend to:

- ***Focus clinical development of TRC105 on initial oncology indications with potential reduced time to regulatory approval.*** We plan to continue Phase 2 development of TRC105 in combination with approved VEGF inhibitors in our initial oncology indications of soft tissue sarcoma, renal cell carcinoma, glioblastoma and hepatocellular carcinoma, each of which is associated with reduced time to achieve the endpoints necessary for regulatory approval, with the goal of being ready to initiate one or more Phase 3 clinical trials by the end of 2016. The FDA has granted approval for drugs in soft tissue sarcoma and renal cell carcinoma based on progression-free survival, or the time a patient lived without the cancer progressing, rather than overall survival. A progression-free survival endpoint can be achieved sooner than an overall survival endpoint, thereby reducing the time to complete clinical trials and submit applications for regulatory approval. Although the endpoint for approval for glioblastoma and hepatocellular carcinoma is overall survival, this endpoint is reached sooner for glioblastoma and hepatocellular carcinoma than for many other solid tumors.

- ***Expand development program for TRC105 into large market oncology indications.*** To maximize the commercial opportunity of TRC105, we intend to continue developing TRC105 in additional oncology indications with large patient populations. For example, based on existing data combining TRC105 with small molecule inhibitors of the VEGF pathway, we plan to initiate Phase 1 development of TRC105 in colorectal cancer, in combination with Stivarga (regorafenib). We also plan to initiate Phase 1 development of TRC105 in lung cancer with chemotherapy and Avastin and Phase 2 development of TRC105 with Afinitor (everolimus) and Femara (letrozole) in breast cancer. Finally, based on existing data from the dose escalation portion of a trial combining TRC105 and Nexavar, we plan to expand Phase 2 development of TRC105 and Nexavar in patients with hepatocellular carcinoma.

- ***Continue to leverage our collaborative relationship with NCI to accelerate and broaden development of TRC105 and TRC102.*** Our collaboration with NCI allows us to pursue more indications with our assets than we would otherwise be able to pursue on our own. We anticipate that NCI will complete ongoing Phase 2 clinical trials of TRC105 and may initiate other Phase 2 clinical trials in addition to the Phase 2 clinical trials of TRC105 that we are sponsoring. Based on correspondence with NCI in June 2014, we expect that Phase 2 clinical trials of TRC102 will be completed with NCI funding. If merited by Phase 2 data, we expect to fund initial Phase 3 clinical trials of TRC105 and TRC102 and, based on NCI's past course of conduct with similarly situated pharmaceutical companies in which it has sponsored pivotal clinical trials following receipt of positive Phase 2 data, we anticipate that NCI will sponsor Phase 3 clinical trials in additional indications.

- ***Support Santen during preclinical development to advance DE-122 into clinical trials in wet AMD.*** We are using our expertise in the development of anti-endoglin antibodies to assist Santen in the manufacture and preclinical testing of DE-122, and we expect Santen will file an IND for the development of TRC105 for ophthalmology indications and begin clinical testing of DE-122 in wet AMD in 2015.

- ***Continue preclinical studies and initiate clinical development of TRC205 in fibrotic diseases.*** TRC205, a humanized and deimmunized anti-endoglin antibody, is our lead product candidate for the treatment of fibrotic diseases, including NASH and IPF, each of which presents a large commercial opportunity. We expect to be able to file an IND to initiate clinical development of TRC205 in one or more fibrotic disease indications in 2016.

- ***Leverage internal capabilities to advance other programs efficiently and cost effectively through clinical development.*** We have assembled a management team that has contributed to the approval of seven therapeutics, including VEGF inhibitors in cancer and in AMD, and that has core competencies relating to clinical operations and regulatory affairs. We expect to continue to benefit from these capabilities through the development of additional early and mid-stage product candidates, both from internal programs and potential in-licensed programs.

Rationale for Developing Anti-Endoglin Antibodies to Treat Cancer, AMD and Fibrotic Diseases

We focus on developing antibodies that target the endoglin receptor. Endoglin is a protein that is overexpressed on endothelial cells, the cells that line the interior surface of blood vessels, when they experience hypoxia, which is a condition characterized by inadequate oxygen supply. Endoglin allows endothelial cells to proliferate in a hypoxic environment and is required for angiogenesis. These properties render endoglin an attractive target for the treatment of diseases that require angiogenesis, including cancer and AMD, especially in combination with VEGF inhibitors. Endoglin is also expressed on fibroblasts, the cells that mediate fibrosis, and is a key contributor to the development of fibrosis. Inhibiting endoglin limits transforming growth factor beta, or TGF-b, signaling and production of fibrotic proteins by human cardiac fibroblasts. Anti-endoglin antibodies inhibit fibrosis in mouse models of cardiac and liver fibrosis.

Inhibiting Angiogenesis to Limit Tumor Growth and Treat AMD

The progressive growth of solid cancers to clinically recognized sizes requires angiogenesis. Similarly, abnormal angiogenesis causes wet AMD. Thus, inhibition of angiogenesis is an effective strategy for the treatment of cancer and wet AMD.

Therapies that inhibit angiogenesis are attractive for multiple reasons:

- Except for ovulation and wound healing, angiogenesis in adults is generally not necessary or desirable and otherwise only occurs in connection with an abnormal process such as tumor growth or choroidal neovascularization, the process of angiogenesis that causes wet AMD.
- Treatments that interrupt tumor angiogenesis may inhibit the growth of many solid cancers.
- Angiogenic targets are present either in the plasma or on the surface of endothelial cells, and therefore are readily accessible to antibody treatments, in contrast to targets expressed within tumors that are more difficult for antibodies to access.
- Angiogenic targets on endothelial cells are less prone to genetic mutation than targets expressed by genetically unstable cancer cells. As a result, development of resistance may be more predictable for agents that target endothelial cell functions than for those targeting cancer cells.

Success and Limitations of VEGF Inhibitors

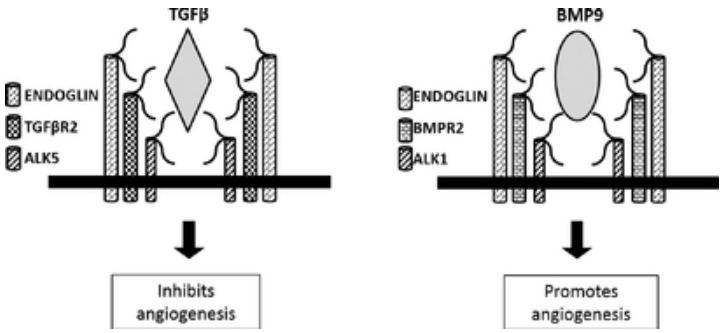
Several anti-angiogenesis therapies that inhibit the VEGF pathway are currently marketed for the treatment of cancer. The VEGF inhibitor Avastin significantly prolongs overall survival for patients with advanced colorectal cancer and lung cancer when added to chemotherapy regimens. Avastin is also an approved therapy for glioblastoma, renal cell carcinoma, and ovarian cancer. Zaltrap (ziv-aflibercept) and Cyramza, other VEGF inhibitors, are approved for the treatment of colorectal cancer and gastric cancer, respectively, and orally available small molecule VEGF inhibitors, including Sutent (sunitinib malate), Nexavar, Votrient, Stivarga and Inlyta, have been shown to prolong survival in patients with metastatic soft tissue sarcoma, renal cell carcinoma, hepatocellular carcinoma, neuroendocrine cancer and colorectal cancer. Despite the clinical and commercial success of anti-angiogenesis agents that primarily target the VEGF pathway, nearly all cancer patients develop resistance to this class of treatment and many do not respond at the onset. According to current research, resistance to anti-angiogenic agents occurs through the emergence of escape pathways rather than by acquired mutations to the VEGF receptor or its ligand. We believe that the endoglin pathway serves as the dominant escape pathway that allows continued angiogenesis despite inhibition of the VEGF pathway. Specifically, inhibition of the VEGF pathway causes hypoxia, which in turn increases endoglin expression, allowing continued angiogenesis through the endoglin pathway despite inhibition of the VEGF pathway.

The Endoglin Pathway

Endoglin modulates signaling of receptor complexes of the TGF-b protein family. Endoglin participates in signal transduction mediated by TGF-b and bone morphogenic proteins, or BMP. Endoglin serves two functions through its expression on endothelial cells: binding of TGF-b to endoglin reinforces a static state in the endothelium, while binding of BMP to endoglin activates the endothelial cells and promotes angiogenesis.

As illustrated in the figure below, the binding of TGF-b to endoglin, as part of a receptor complex that includes activin receptor-like kinase 5, or ALK5, and TGF-bR2, a member of the TGF-b receptor family, causes activation of intracellular proteins that reinforce a static state in the endothelium, as shown on the left. Binding of BMP to endoglin, as part of a receptor complex that includes ALK1 and BMPR2, a member of the BMP receptor family, on proliferating endothelium activates proteins that override growth inhibition stimulated by TGF-b binding to endothelium, and allows organized endothelial proliferation, as shown on the right.

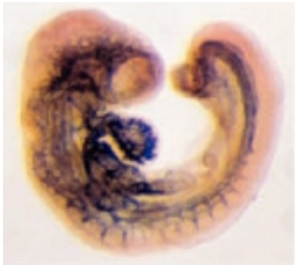
Inhibition and proliferation of endothelial cells through the endoglin pathway



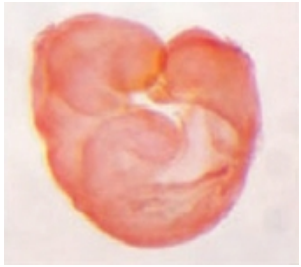
Targeted inactivation of endoglin results in defective vascular development. In a preclinical study, mice embryos lacking endoglin died from the absence of angiogenesis by day 11.5. The figure below depicts anti-endoglin immunostains of mice embryos at day 8.5. The mouse embryo on the upper left is a normal mouse embryo, with endoglin expression indicated by black staining. The mouse embryo on the upper right had both copies of the endoglin gene inactivated, and a lack of endoglin expression is indicated by the absence of black staining. Photomicrographs of the mice embryos at day 10.5 show developed vasculature in normal mice (bottom left) and pockets of red blood cells without discernible vessels in endoglin-deficient mice (bottom right).

Targeted inactivation of mouse endoglin resulting in defective vascular development

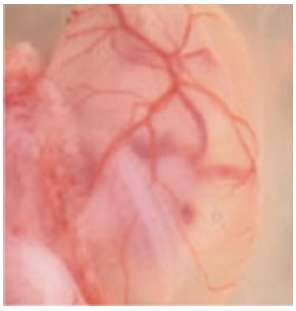
Normal Mouse—Day 8.5



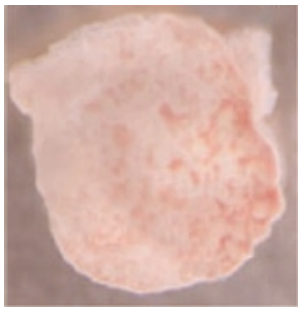
Endoglin-Deficient Mouse—Day 8.5



Normal Mouse—Day 10.5



Endoglin-Deficient Mouse—Day 10.5



Endoglin has also been shown to be critical for normal blood vessel development in humans. For example, the inheritance of one normal copy and one abnormal copy of the endoglin gene results in diminished endoglin function and causes Osler-Weber-Rendu syndrome, a rare disease characterized by dilated small blood vessels of the skin and mucosal surfaces that cause nosebleeds, typically beginning in the second decade of life. Compared to patients with a normal complement of endoglin genes, patients with Osler-Weber-Rendu syndrome have improved overall cancer survival, with a reported 31% reduced risk of death following cancer diagnosis, after controlling for known prognostic factors.

Endoglin is highly overexpressed on the membrane of proliferating endothelial cells in tumor vessels. A high level of endoglin expression has been associated with poor prognosis in patients with substantially all solid tumor types, including the following:

- Breast cancer
- Colorectal cancer
- Endometrial cancer
- Esophageal cancer
- Gastric cancer
- Glioblastoma
- Head and neck cancer
- Hepatocellular carcinoma
- Lung cancer
- Ovarian cancer
- Prostate cancer
- Renal cell carcinoma
- Soft tissue sarcoma

Targeting the Endoglin Pathway to Address Limitations of VEGF Inhibitors

Preclinical studies indicate that endoglin expression promotes resistance to inhibition of the VEGF pathway, suggesting that targeting the endoglin pathway in addition to the VEGF pathway is a more effective means to inhibit angiogenesis in tumors than targeting the VEGF pathway alone, particularly given the frequent development of resistance to VEGF inhibitors. For example, in a preclinical model of human pancreatic cancer, endoglin expression within tumors increased following treatment with a VEGF inhibitor. Further studies indicated that TGF-b, which inhibits angiogenesis in the endothelium, was the most highly overexpressed protein (over 16-fold increased expression, whereas no other protein was more than four-fold elevated) in pancreatic cancers from mice treated with a VEGF inhibitor. As discussed above, BMP binding to endoglin overrides the negative effects of elevated TGF-b caused by VEGF inhibition. Unlike the endoglin pathway, many angiogenic pathways were not affected by VEGF inhibition, indicating that these pathways are unlikely to mediate escape from VEGF inhibition. Proteins that were not elevated included the angiopoietins, a family of angiogenic factors that are distinct from endoglin and VEGF. Consistent with this observation, therapies targeting the angiopoietins have not demonstrated anti-tumor activity when combined with VEGF inhibitors in clinical trials.

We believe the endoglin pathway serves as the dominant escape pathway that allows continued angiogenesis despite inhibition of the VEGF pathway. In support of this hypothesis, researchers analyzed blood vessels from human bladder cancers implanted in mice following VEGF inhibitor treatment. Data indicated that endoglin-expressing vessels persisted at the tumor periphery and increased within the core of the tumor, allowing continued tumor growth despite treatment with a large molecule VEGF inhibitor. In another preclinical study, mice with a predisposition to develop tumors were bred to have only one normal copy, rather than two normal copies, of the endoglin gene. Tumors in mice with two normal copies of the endoglin gene exhibited resistance to large and small molecule VEGF inhibitors. This resistance was not observed in the mice where endoglin function was inhibited by deleting one copy of the endoglin gene. Likewise, mice in which both copies of the endoglin gene were deleted in endothelial cells developed smaller lung tumors following treatment with a small molecule VEGF inhibitor, as compared to mice with normal levels of endoglin. In these models, VEGF inhibitors demonstrated anti-tumor activity only following inhibition of the endoglin pathway. These results illustrate the therapeutic utility of targeting both angiogenic pathways concurrently for the treatment of cancer.

BMP has been identified as a key endoglin ligand that binds to the endoglin receptor to promote angiogenesis. Therefore, it is a rational drug development strategy to target the receptor with an antibody that binds more tightly to endoglin at the BMP binding site than BMP itself, thereby preventing BMP from activating endothelial cells. TRC105 is a novel human chimeric immunoglobulin G subclass 1 antibody, or IgG1, that binds to endoglin with high affinity and inhibits BMP binding to endoglin, thereby inhibiting endothelial cell activation. As expected, studies have shown that anti-endoglin antibodies that do not bind at the BMP binding site do not inhibit angiogenesis in preclinical models.

We believe that a combination of VEGF and endoglin inhibitors may have application in wet AMD as well as a number of oncology indications where VEGF inhibitors are currently approved by regulatory authorities. Tumor types for which VEGF inhibitors have been approved include colorectal cancer, gastrointestinal stromal tumor, glioblastoma, hepatocellular carcinoma, lung cancer, neuroendocrine tumors, renal cell carcinoma, soft tissue sarcoma, ovarian cancer and thyroid cancer.

Anti-Angiogenesis VEGF Inhibitors in Oncology Indications

Cancer is the second leading cause of death in the Western world and may affect any organ in the human body. Localized cancer is generally treated and cured with surgery. However, metastatic cancer that has spread beyond the location where it started is generally incurable. Metastatic cancer is treated with chemotherapeutics or targeted agents that specifically inhibit pathways implicated in tumor growth or angiogenesis.

There are several FDA-approved anti-angiogenesis drugs that inhibit the VEGF pathway, with over $10.0 billion in reported aggregate worldwide sales in oncology in 2013. VEGF inhibitors are approved in the following oncology indications, among others:

- *Soft Tissue Sarcoma:* The American Cancer Society, or the ACS, estimates there were approximately 11,000 new cases of soft tissue sarcoma in the United States in 2013 with more than 4,000 deaths. Localized tumors are curable, but patients with metastatic disease have a median survival of approximately 12 months following diagnosis. Standard systemic chemotherapy regimens are poorly tolerated and of limited usefulness with response rates of approximately 20% to 30%. Votrient, a small molecule VEGF inhibitor, was approved in the United States for the second line treatment of soft tissue sarcoma in 2013.

- *Renal Cell Carcinoma.* The ACS estimates there were 65,150 new cases of renal cell carcinoma in the United States in 2013 with 13,680 deaths. Sutent, Nexavar and Votrient are small molecule VEGF inhibitors approved as single agents for the first line treatment of advanced or metastatic renal cell carcinoma, Inlyta is a small molecule VEGF inhibitor approved for second line treatment, and Avastin is approved with interferon. Inlyta was approved in 2012 for the treatment of renal cell carcinoma, with reported global sales of $319 million in 2013, compared to $100 million in 2012.

- *Glioblastoma:* Glioblastoma represents one of the highest unmet needs in oncology. Glioblastoma is the most common and most lethal malignant brain cancer in adults. The Central Brain Tumor Registry of the United States estimates that there are about 12,000 new cases diagnosed each year in the United States. The median survival following diagnosis is reported to be approximately 14 months. Avastin has been approved in the United States for the second line treatment of glioblastoma following cancer progression on prior therapy.

- *Hepatocellular Carcinoma.* The ACS estimates there were 30,640 new cases of hepatocellular carcinoma in the United States in 2013 with 21,670 deaths. The only drug

approved in the United States for the first line treatment of hepatocellular carcinoma is the VEGF inhibitor Nexavar. In 2013, reported global sales of Nexavar were $1.0 billion worldwide.

- *Colorectal Cancer.* The ACS estimates there were 142,820 new cases of colon cancer or rectal cancer in the United States in 2013 with 50,830 deaths. Avastin is approved with chemotherapy for the first and second line treatment of patients with metastatic colorectal cancer, and Zaltrap is approved with chemotherapy for the second line treatment of patients with metastatic colorectal cancer.

- *Non-Small Cell Lung Cancer.* The ACS estimates there were 228,190 new cases of lung cancer in the United States in 2013 with 159,480 deaths. Avastin is approved for the first line treatment of patients with locally advanced, recurrent, or metastatic non-squamous non-small cell lung cancer, in combination with chemotherapy.

TRC105 Development in Oncology

Clinical Development Overview

TRC105 is our investigational novel human chimeric IgG1 monoclonal antibody that is currently being studied with dosing weekly or every two weeks by intravenous, or IV, infusion. Commercialized chimeric antibodies include Rituxan (rituximab), Erbitux (cetuximab) and Adcetris (brentuximab vedotin), which collectively had reported global sales of over $8.0 billion in 2013. TRC105 is in four ongoing clinical trials in combination with VEGF inhibitors and has been studied in nine completed clinical trials as a single agent or with VEGF inhibitors.

The following table summarizes certain key information regarding our clinical trials of TRC105 in cancer patients:

Ongoing Clinical Trials of TRC105

Phase	Indication	Sponsor	Companion Treatment	Design (Number of Patients)
2*	Soft tissue sarcoma	TRACON	Votrient	Single arm (81)
2*	Clear cell renal cell carcinoma	TRACON	Inlyta	Randomized (168)
2*	Glioblastoma	NCI	Avastin	Randomized (98)
2*	Hepatocellular carcinoma	NCI	Nexavar	Dose escalation portion and single arm portion (42 total)

Planned Clinical Trials of TRC105

Phase	Indication	Sponsor	Companion Treatment	Design (Number of Patients)
2	Breast cancer	UAB	Afinitor and Femara	Single arm (38 total)
2	Hepatocellular carcinoma	TRACON	Nexavar	Dose escalation portion and single arm portion (41 total)
1	Colorectal cancer	TRACON	Stivarga	Dose escalation (18)
1	Lung cancer	TRACON	Taxol, Carboplatin and Avastin	Dose escalation (18)

Completed Clinical Trials of TRC105

Phase	Indication	Sponsor	Companion Treatment	Design (Number of Patients)
1	Solid tumors	TRACON	None	Dose escalation (50)
1/2	Solid tumors	TRACON	Avastin	Dose escalation portion and single arm portion (38 total)
2	Glioblastoma	TRACON	Avastin	Single arm (22)
1	Breast cancer	TRACON	Xeloda	Dose escalation (19)
1	Prostate cancer	NCI	None	Dose escalation (21)
2	Bladder cancer	NCI	None	Single arm (13)
2	Hepatocellular carcinoma	NCI	None	Single arm (11)
2	Ovarian cancer	TRACON	None	Single arm (23)
2	Renal cell carcinoma (all histologies)	NCI	Avastin	Randomized (62)**

* Each of these trials was designed with a Phase 1 open-label portion, which demonstrated that the recommended single agent dose of TRC105 can be administered in combination with the approved dose of the companion VEGF inhibitor.

** This trial was designed to randomize 88 patients, but enrollment was closed following the accrual of 62 patients after an interim analysis concluded that the trial was unlikely to achieve the primary endpoint. Patients who were already enrolled are continuing treatment.

The collective clinical data support the development of TRC105 in combination with VEGF inhibitors rather than development as a single agent. To date, TRC105 has primarily been studied in the last line treatment setting, where patients tend to be resistant to additional treatments, but ongoing development focuses on the treatment of cancer patients with TRC105 and VEGF inhibitors in the first and second line treatment settings, where increased susceptibility to anti-angiogenic treatment is expected.

Consistent with preclinical data indicating improved anti-cancer activity following concurrent inhibition of the endoglin and VEGF pathways, TRC105 has shown good tolerability and promising anti-tumor activity in combination with large and small molecule inhibitors of the VEGF pathway. In a Phase 1/2 clinical trial of TRC105 with Avastin that primarily enrolled patients with colorectal and ovarian cancer whose cancer had progressed on prior Avastin treatment, the combination demonstrated anti-tumor activity in advanced cancer patients whose cancer had progressed on prior Avastin treatment. Specifically, of 25 evaluable patients treated previously with VEGF inhibitors, 16 patients (64%) had stable disease, of whom 10 patients (40%) had partial responses. Six responding patients treated with prior VEGF inhibitors (24%) remained without cancer progression longer than during their prior VEGF inhibitor therapy, and were therefore considered to have durable responses. TRC105 has also been administered with the VEGF inhibitors Nexavar, Votrient and Inlyta in three ongoing clinical trials. In the ascending dose portion of a Phase 2 clinical trial of TRC105 with Inlyta in patients with renal cell carcinoma, 10 of 17 patients (59%) demonstrated partial responses. In the ascending dose portion of a Phase 2 clinical trial of TRC105 with Nexavar in patients with hepatocellular carcinoma, three of the 13 patients (23%) treated at recommended Phase 2 doses of TRC105 (10 mg/kg or 15 mg/kg) demonstrated partial responses, in a setting where the expected partial response rate of Nexavar alone is 2%. In the ascending dose portion of a Phase 2 clinical trial of TRC105 with Votrient, several patients have demonstrated tumor reductions, and a patient with angiosarcoma has an ongoing complete response to treatment.

Clinical trials of TRC105 as a single agent in patients whose cancer had progressed on multiple prior therapies indicated limited single agent activity in treatment-resistant patients with prostate cancer, metastatic bladder cancer, advanced or metastatic hepatocellular

carcinoma, glioblastoma and ovarian cancer. However, single agent activity, as evidenced by progression-free survival greater than 18 months or partial response, was achieved in individual treatment-resistant patients with soft tissue sarcoma, hepatocellular carcinoma and prostate cancer.

Ongoing Phase 2 clinical trials assess the activity of TRC105 with a particular VEGF inhibitor in patients who have not previously been treated with that particular VEGF inhibitor. In general, it is more difficult to resensitize a patient whose cancer has already progressed on a prior VEGF inhibitor than it is to prevent resistance in a patient who has not previously been treated with that VEGF inhibitor. In addition, cancer progresses rapidly in some patients following treatment with a VEGF inhibitor, to the point that these patients are unavailable for subsequent therapy. Thus, we believe the greatest potential for TRC105 will be in combination with VEGF inhibitors prior to the development of resistance to VEGF inhibitors.

Ongoing Clinical Trials of TRC105

Phase 2 Clinical Trial of TRC105 with Inlyta in Patients with Clear Cell Renal Cell Carcinoma

We are conducting a two-part Phase 2 clinical trial of TRC105 in combination with Inlyta, an approved VEGF inhibitor, in patients with advanced or metastatic renal cell carcinoma. We have completed enrollment of Part 1 of the trial, which is being conducted at five sites in the United States and enrolled 18 patients. Three patients were initially enrolled at an 8 mg/kg TRC105 dose level and three patients were initially enrolled at a 10 mg/kg TRC105 dose level to demonstrate that the recommended single agent dose of TRC105 of 10 mg/kg was well tolerated when administered with the approved single agent dose of Inlyta. Twelve additional patients were then enrolled at the 10 mg/kg TRC105 dose level with the approved single agent dose of Inlyta.

We believe that preliminary data from Part 1 of this trial are encouraging, and we will present these data at the Genitourinary Cancers Symposium of the American Society of Clinical Oncology conference in February 2015. Based on a Phase 3 trial of Inlyta, the expected median progression-free survival of patients with clear cell renal cell carcinoma treated with Inlyta who have progressed following treatment with only one prior inhibitor of the VEGF pathway is 4.8 months. The progression-free survival of patients enrolled in Part 1 of our trial of TRC105 with Inlyta, all of whom failed at least one prior inhibitor of the VEGF pathway, has been 6.9 months, and in patients with clear cell renal cell carcinoma, has been 7.9 months. The best overall response as of December 1, 2014 for the 17 patients who have been followed for at least two months in Part 1 of the trial is described below. Percentage decreases in tumor size are reported relative to the baseline measurement at the beginning of the study.

- Three patients had tumor reductions that qualified as partial responses according to Response Evaluation Criteria in Solid Tumors 1.1, or RECIST 1.1, a response criteria initially developed to assess the activity of chemotherapy. All three patients were treated in the fourth line setting and had cancer progression following treatment with at least one small molecule VEGF inhibitor. Two patients also progressed following treatment with Opdivo (nivolumab), an antibody directed at the programmed cell death 1 receptor (PD-1). One of these patients, whose previous best response was stable disease with the VEGF inhibitor Votrient, following which cancer progression was documented, and also had cancer progression on interleukin-2 and Opdivo, was ongoing treatment at month 13 in our trial with a partial response as assessed by RECIST 1.1. The second patient, whose previous best response was stable disease with the VEGF inhibitor Sutent, then demonstrated cancer progression after three months of treatment with Votrient as well as cancer progression on Opdivo, was ongoing treatment at month 8 in our trial with a partial response as assessed by RECIST 1.1. The third patient, whose previous best

response was stable disease with the VEGF inhibitor Sutent, following which cancer progression was documented, and who also progressed following treatment with Afinitor, a drug approved for the treatment of renal cell carcinoma that inhibits a metabolic pathway, achieved a partial response as assessed by RECIST 1.1 and was ongoing treatment at month 9 of our trial.

- Ten patients had tumor reductions that qualified as partial responses as assessed by the Choi criteria described above, including the three patients with partial responses as assessed by RECIST 1.1. Choi criteria are response criteria developed at the University of Texas MD Anderson Cancer Center to evaluate the activity of angiogenesis inhibitors. Choi criteria have been shown to correlate more strongly with progression-free survival and overall survival than RECIST 1.1 in several clinical trials of angiogenesis inhibitors. Progression-free survival is the anticipated endpoint for Phase 3 clinical trials in patients with soft tissue sarcoma and renal cell carcinoma. All patients had cancer progression following prior treatment with at least one small molecule VEGF inhibitor and seven remained in the trial, including one patient ongoing at month 13 in our trial.

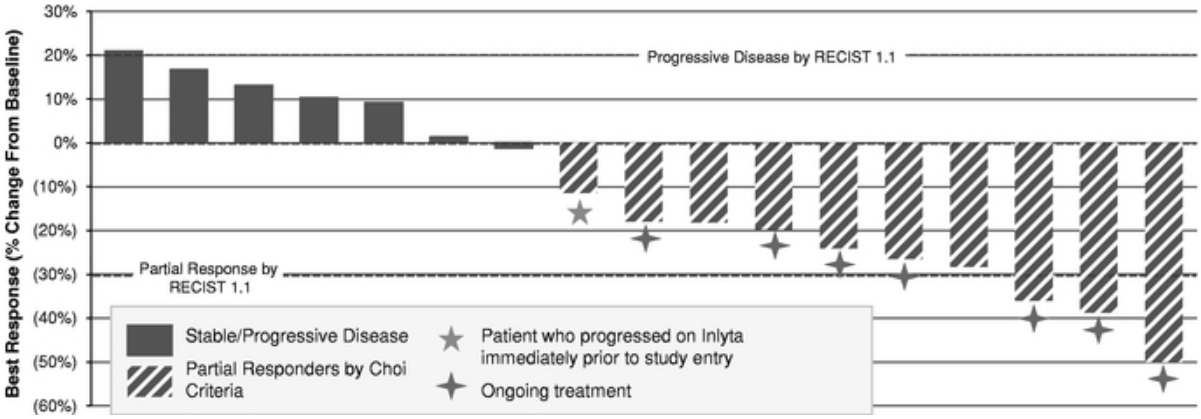
- Three patients had stable disease.

- Four patients had cancer progression within two months following initiation of treatment.

- Improved anti-tumor activity was noted in patients with clear cell renal cell carcinoma, the most common type of renal cell carcinoma, which is noted to be more responsive to treatment with angiogenesis inhibitors. Eight of 12 patients with clear cell histology demonstrated partial responses as assessed by Choi criteria, including two partial responses as assessed by RECIST 1.1.

The best response by maximum percent change decrease in tumor lesion size of each of 17 patients enrolled in the trial with measureable disease who underwent efficacy assessment is noted in the figure below.

Maximum percentage change in target lesion size in renal cell carcinoma patients treated with TRC105 and Inlyta



Based on the tolerability and anti-tumor activity observed in Part 1 of the trial, Part 2 of the trial began enrollment in November 2014 and is expected to enroll 150 advanced clear cell renal cell carcinoma patients at approximately 20 sites in the United States to compare TRC105 at 10 mg/kg in combination with Inlyta to Inlyta alone. The patients are randomly allocated in equal numbers to the two treatment arms, and the primary endpoint of Part 2 of the trial is progression-free survival as assessed by RECIST 1.1. If successful, Part 2 of the trial would support initiation of a Phase 3 clinical trial.

Phase 2 Clinical Trial of TRC105 with Votrient in Patients with Soft Tissue Sarcoma

We are conducting a two-part Phase 2 clinical trial of TRC105 in combination with Votrient, an approved VEGF inhibitor, in patients with soft tissue sarcoma. Part 1 of the trial has completed enrollment of 18 evaluable patients. Three patients were initially enrolled at an 8 mg/kg TRC105 dose level and three patients were initially enrolled at a 10 mg/kg TRC105 dose level to demonstrate that the recommended single agent dose of TRC105 of 10 mg/kg was well tolerated with the approved single agent dose of Votrient. We have enrolled ten additional patients at the 10 mg/kg TRC105 dose level with the approved single agent dose of Votrient. We believe that preliminary data from this trial are encouraging.

As of December 1, 2014, 18 patients in Part 1 of the trial had undergone efficacy assessments. All three patients dosed with TRC105 at 8 mg/kg with the approved dose of Votrient had stable disease and remained in the trial for at least six months of treatment, including one patient with synovial sarcoma who had a 27% decrease in tumor burden as assessed by RECIST 1.1 four months after initiating treatment and another patient with ongoing stable disease for 10 months of treatment. Thirteen of 15 patients dosed at the recommended single agent doses of both drugs had a best response of stable disease by RECIST 1.1, of whom nine remain on treatment, some for as many as seven months. One of these patients, with angiosarcoma, has an ongoing complete response at month 4 of treatment. We expect to present these data at the American Society of Clinical Oncology conference in June 2015.

Based on the tolerability and anti-tumor activity observed to date, Part 2 of the trial began enrollment in September 2014. Part 2 of the study will accrue patients at approximately eight sites in the United States and, as of December 1, 2014, had enrolled 16 of the expected 63 patients with soft tissue sarcoma. The primary endpoint of Part 2 of the trial is progression-free survival as assessed by RECIST 1.1, and a key secondary endpoint is overall response rate. We expect to correlate progression-free survival and overall response rate with endoglin expression on sarcoma tissue to assess whether direct endoglin expression on sarcoma cells may serve as a biomarker that identifies responsive sarcoma subtypes. We expect to have topline data from Part 1 of the trial in mid 2015 and from Part 2 of the trial in late 2015. If data from the Phase 2 clinical trial indicate endoglin expression on sarcoma cells is predictive of TRC105 activity, a Phase 3 clinical trial may incorporate a biomarker strategy to identify expression of endoglin on sarcoma tissue as a basis for enrollment of more responsive patients into the trial.

Phase 2 Randomized Clinical Trial of TRC105 with Avastin in Patients with Glioblastoma

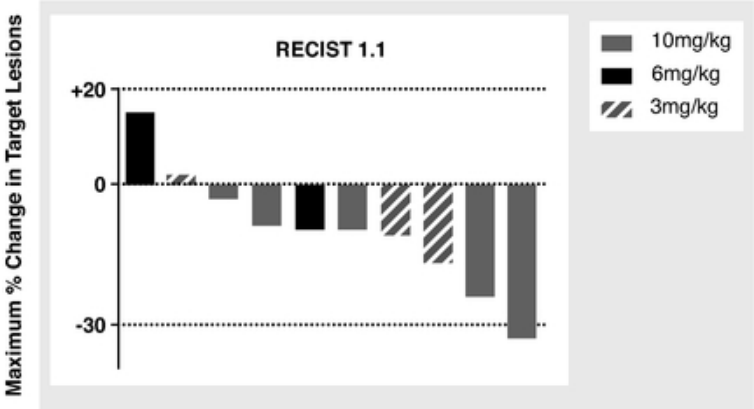
NCI is sponsoring a two-part Phase 2 clinical trial in patients with glioblastoma that includes more than 50 sites in the United States. Part 1 of the trial was a dose escalation study of TRC105 in combination with Avastin in 12 patients and completed enrollment in January 2014. In Part 2 of the trial, 86 glioblastoma patients who have received chemotherapy or radiation therapy and have not been treated previously with Avastin or another VEGF inhibitor are expected to be randomized in equal proportions to receive TRC105 and Avastin or Avastin alone. Enrollment into Part 2 of the trial began in the third quarter of 2014, and 16 patients were enrolled in Part 2 of the trial as of December 10, 2014. The primary endpoint is progression-free survival, and we expect that NCI will have topline data in early to mid 2016.

Phase 2 Clinical Trial of TRC105 with Nexavar in Patients with Hepatocellular Carcinoma

NCI is conducting a two-part Phase 2 clinical trial of TRC105 in combination with Nexavar, an approved VEGF inhibitor, in 42 patients with hepatocellular carcinoma. Part 1 of the trial was completed following the enrollment of 19 patients with hepatocellular carcinoma, and Part 2 of the trial may enroll up to 23 patients. Part 1 of the trial was designed as an ascending dose trial with an expansion stage with the primary endpoint of evaluating the safety and tolerability of 3,

6, 10 and 15 mg/kg TRC105 every two weeks in combination with the approved dose of Nexavar to select a dose level of TRC105 (in combination with Nexavar) for further study if merited. Data reported at the Gastrointestinal Cancer Symposium of the American Society of Clinical Oncology in January 2014 indicated that TRC105 was well tolerated at 10 mg/kg in combination with approved doses of Nexavar. As shown in the figure below, anti-tumor activity was noted, including reductions in tumor burden in the majority of treated patients, and partial response in one patient, as assessed by RECIST 1.1. Durable activity was noted in one ongoing patient who remained on treatment for 22 months. Updated data as of September 8, 2014 indicate that the top dose level of TRC105 was tolerated with the approved dose of Nexavar and that three of the initial 19 patients enrolled achieved partial responses as assessed by RECIST 1.1. The partial responses as assessed by RECIST 1.1 occurred in three of the 13 patients (23%) treated at recommended Phase 2 doses of TRC105 (10 mg/kg or 15 mg/kg), in a setting where the expected partial response rate of Nexavar alone is 2%. The primary endpoint of Part 2 of the trial is overall response rate as assessed by RECIST 1.1. NCI will present updated data from Part 1 of the clinical trial in January 2015 at the Gastrointestinal Cancer Symposium of the American Society of Clinical Oncology.

Maximum percentage change in target lesion size in hepatocellular carcinoma patients treated with TRC105 and Nexavar



Planned Clinical Trials of TRC105

Phase 2 Clinical Trial of TRC105 with Nexavar in Patients with Hepatocellular Carcinoma

We are planning a two-part Phase 2 clinical trial of TRC105 in combination with Nexavar, which is approved for the treatment of hepatocellular carcinoma, in patients with advanced or metastatic hepatocellular carcinoma. Prior completed clinical trials indicated that 15 mg/kg of TRC105 given every two weeks was well tolerated in combination with approved doses of Nexavar. Part 1 of the trial will determine whether the recommended Phase 2 dose of TRC105 of 10 mg/kg given weekly can be administered safely concurrently with Nexavar. Part 2 of the trial is expected to enroll up to 23 patients with advanced or metastatic hepatocellular carcinoma to determine the overall response rate, progression-free survival and overall survival following treatment with the recommended Phase 2 dose of TRC105 of 10 mg/kg given concurrently with Nexavar.

Phase 1 Clinical Trial of TRC105 with Taxol, carboplatin and Avastin in Patients with Lung Cancer

We are planning a Phase 1 clinical trial of TRC105 in combination with Taxol, carboplatin and Avastin for the initial treatment of advanced or metastatic non-squamous non-small cell lung

cancer. The combination of Taxol, carboplatin and Avastin is approved for the initial treatment of advanced or metastatic non-squamous non-small cell lung cancer, and the combination of Taxol and Avastin is approved for the treatment of ovarian cancer. Prior completed trials indicated the recommended Phase 2 dose of 10 mg/kg of TRC105 was well tolerated with Avastin. The primary endpoint of the trial is to determine whether the recommended Phase 2 dose of TRC105 of 10 mg/kg can be administered safely concurrently with Taxol, carboplatin and Avastin. Up to 15 patients are expected to be treated with the recommended Phase 2 dose of TRC105 of 10 mg/kg given concurrently with Taxol, carboplatin and Avastin. Secondary endpoints include pharmacokinetics, overall response rate by RECIST 1.1, progression-free survival and overall survival.

Phase 1 Clinical Trial of TRC105 with Stivarga in Patients with Colorectal Cancer

We are planning a Phase 1 clinical trial of TRC105 in combination with Stivarga, a small molecule inhibitor of the VEGF pathway approved for the last line treatment of colorectal cancer, in patients with advanced or metastatic colorectal cancer. The primary endpoint of the trial is to determine whether the recommended Phase 2 dose of TRC105 of 10 mg/kg can be administered safely concurrently with Stivarga. Up to 15 patients are expected to be treated with the recommended Phase 2 dose of TRC105 of 10 mg/kg given concurrently with Stivarga. Secondary endpoints include pharmacokinetics, overall response rate by RECIST 1.1, progression-free survival and overall survival.

Phase 2 Clinical Trial of TRC105 with Afinitor and Femara in Postmenopausal Women with Newly Diagnosed Local or Locally Advanced Potentially Resectable Hormone-Receptor Positive and Her-2 Negative Breast Cancer

We are planning a two-part Phase 2 clinical trial of TRC105 as a neoadjuvant in combination with Afinitor and Femara, each of which is approved for the treatment of breast cancer in a study sponsored by the University of Alabama, Birmingham Cancer Center, or UAB. The trial is expected to enroll patients with locally advanced breast cancer who will receive TRC105 in combination with Afinitor and Femara prior to surgical removal of the tumor. Part 1 of the trial is expected to enroll up to 18 patients to determine whether the recommended Phase 2 dose of TRC105 of 10 mg/kg given weekly can be administered safely concurrently with Afinitor and Femara and assess pharmacokinetic parameters. Part 2 of the trial is expected to enroll up to 20 patients with locally advanced potentially resectable hormone-receptor positive and Her-2 negative breast cancer to determine the pathologic complete response rate and downstaging rate, or rate of tumor size reduction, at the time of surgery.

Completed Clinical Trials of TRC105

Phase 1 First-in-Human Clinical Trial of TRC105 in Patients with Advanced and Treatment-Resistant Cancer

We conducted a Phase 1, single agent, first-in-human ascending dose clinical trial evaluating the safety, tolerability, pharmacokinetics, pharmacodynamics and anti-tumor activity of TRC105 in patients with advanced solid tumors. The primary endpoint of the trial was to determine the recommended dose of TRC105 for Phase 2 clinical trials and assess overall safety and tolerability. Secondary endpoints included analysis of TRC105 distribution in the blood, assessment of whether antibodies were made in response to treatment with TRC105 and assessment of preliminary signs of antitumor activity. Given the limited number of patients in this clinical trial, no statistical analyses were performed. Fifty patients were treated with escalating doses of TRC105 until cancer progression or unacceptable toxicity was reached using a standard dose escalation design at dose levels of 0.01, 0.03, 0.1, 0.3, 1, 3, 10 and 15 mg/kg given weekly or every two weeks. The maximum tolerated dose was exceeded at 15 mg/kg given weekly due to anemia, an expected

adverse event of TRC105 treatment. TRC105 exposure increased with increasing dose, and continuous serum concentrations that saturate endoglin receptors were maintained at 10 mg/kg given weekly and 15 mg/kg given every two weeks. The safety profile was distinct from that of VEGF inhibitors, and the adverse effects of hypertension and proteinuria seen commonly with VEGF inhibitors were rarely observed with TRC105. Pulmonary edema and low platelet counts, which are side effects of other inhibitors of the endoglin pathway, were not observed. Antibodies to TRC105 were not detected in patients treated with the formulation of TRC105 that is being used in our Phase 1 and Phase 2 clinical trials, indicating that TRC105 is not highly immunogenic. Stable disease or better was achieved in 21 of 45 evaluable patients (47%), including two patients with durable reductions in tumor burden lasting longer than 48 and 18 months, respectively. One of three patients had soft tissue sarcoma and remained on TRC105 for 18 months with a reduction in tumor burden of each of five pulmonary metastases, which was first detected two months after initiation of treatment. An overall reduction in the sum of tumor diameters of 13% was noted during treatment. The duration of TRC105 treatment exceeded the duration of three prior treatments: carboplatin and paclitaxel (four months), Arimidex (anastrozole) (eight months) and ifosfamide (two months), each of which had been previously discontinued because the cancer progressed. The anti-tumor data compared favorably with the first-in-human anti-tumor data reported with Avastin in a less treatment-resistant population. The majority of patients demonstrated an increase in plasma levels of VEGF at the time of cancer progression, providing a rationale for inhibiting the VEGF pathway in patients treated with TRC105. Lastly, patients at the 10 mg/kg and 15 mg/kg dose levels were observed to have dilated blood vessels in the skin or mucosal membranes, similar to those in patients with Osler-Weber-Rendu syndrome, indicating inhibition of the endoglin pathway. Results of this clinical trial were published in *Clinical Cancer Research* in 2012.

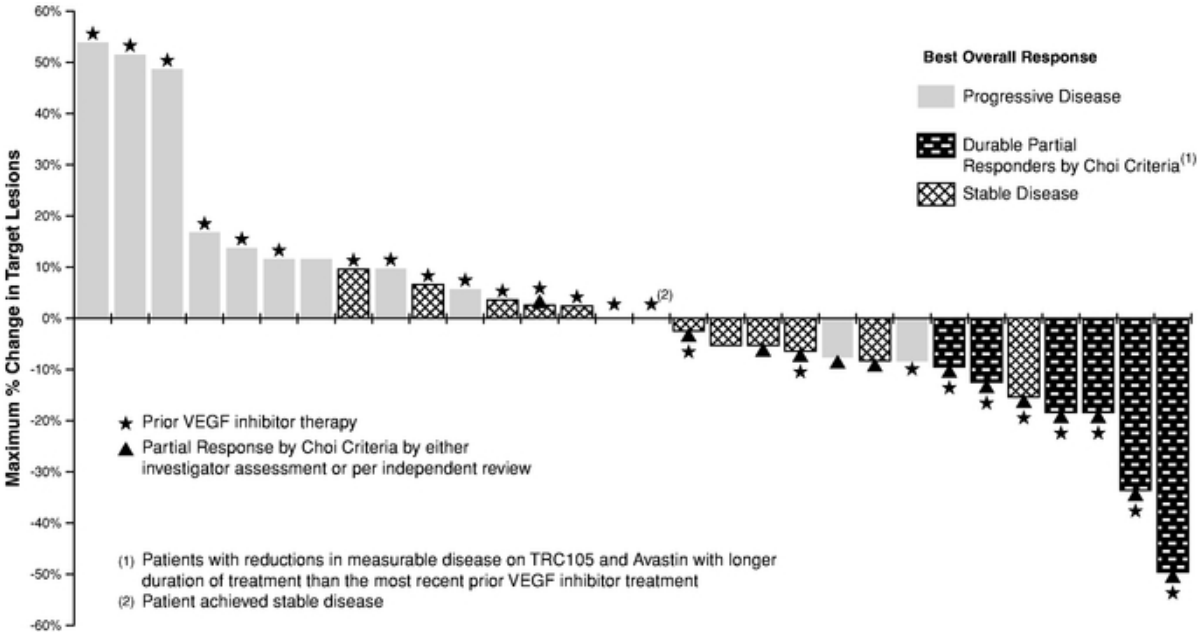
Phase 1/2 Clinical Trial of TRC105 with Avastin in Patients with Advanced and Treatment-Resistant Cancer

We completed a Phase 1/2 ascending dose trial evaluating the safety, tolerability, pharmacokinetics, pharmacodynamics and anti-tumor activity of TRC105 in combination with an approved dose of Avastin in patients with advanced and treatment-resistant solid tumors. The primary endpoint of the trial was to determine the recommended dose of TRC105 to be used in combination with Avastin for Phase 2 clinical trials and assess overall safety and tolerability of the combination. Secondary endpoints included analysis of TRC105 distribution in the blood, assessment of whether antibodies were made in response to treatment with TRC105 and assessment of preliminary evidence of improved anti-tumor activity when TRC105 was combined with Avastin. Given the limited number of patients in this clinical trial, no statistical analyses were performed. Thirty-eight patients primarily with colorectal and ovarian cancer were treated with escalating doses of TRC105 until cancer progression or unacceptable toxicity was reached using a standard dose escalation design at dose levels of 3, 6, 8 and 10 mg/kg given weekly, in combination with an approved dose of Avastin. TRC105 and Avastin were generally well tolerated when dosed together at their recommended single agent doses (10 mg/kg each) when the initial dose of TRC105 was delayed by one week and divided over two days to reduce the frequency and severity of headache. The concurrent administration of Avastin and TRC105 did not otherwise appear to increase the frequency or severity of known toxicities of TRC105 or Avastin. Pharmacokinetic studies indicated that treatment with Avastin increased endoglin expression on endothelium, a finding that was consistent with preclinical studies indicating endoglin may allow continued angiogenesis despite inhibition of the VEGF pathway. This finding provides support for targeting angiogenesis with anti-endoglin antibodies in combination with VEGF inhibitors. Pharmacokinetic studies also indicated that serum levels of TRC105 were continuously present at concentrations above levels needed to inhibit endoglin function. Antibodies to TRC105 were detected in two patients and were not associated with clinical effects. Biomarker studies indicated

increased blood levels of platelet-derived growth factor, or PDGF, a soluble protein that plays a significant role in angiogenesis, in patients treated with TRC105 in combination with Avastin. Several patients, including patients with colorectal cancer and ovarian cancer whose cancer had previously progressed on Avastin or small molecule VEGF inhibitors, experienced responses, including ten partial responses as assessed by Choi criteria and two partial responses as assessed by RECIST 1.1.

The best response by maximum percent change decrease in target lesion size of each of 30 patients enrolled in the trial with measurable disease who underwent efficacy assessment is noted in the figure below, and patients who received prior treatment with at least one VEGF inhibitor are indicated by a star. Of 25 evaluable patients treated previously with VEGF inhibitors, 16 patients (64%) had stable disease, of whom two patients (8%) had partial responses as assessed by RECIST 1.1. Ten patients who received prior VEGF treatment (40%) had a partial response by Choi criteria and are denoted with a solid triangle and a star in the figure below. Six patients (24%) with responses by Choi criteria or RECIST 1.1 remained without cancer progression for longer than during their prior VEGF inhibitor therapy, and are therefore considered to have durable responses.

Maximum percentage change in target lesion size in cancer patients treated with TRC105 and Avastin



The six patients with reductions in tumor burden, who were partial responders as assessed by RECIST 1.1 or Choi criteria, and remained without cancer progression for longer than during their prior VEGF inhibitor therapy, are profiled further in the table below.

Summary of patients with durable responses

Patient Demographic	Primary Site of Disease	Number of Prior Cancer Regimens	Last Prior VEGF Inhibitor Containing Treatment	Duration of Last Prior VEGF Inhibitor Containing Treatment (days)	Duration of TRC105 + Avastin Treatment (days)
56-year-old woman	Ovarian	8	pegylated liposomal doxorubicin + Avastin	126	162
71-year-old woman	Ovarian	5	investigational treatment with small molecule VEGF inhibitor	141	218
66-year-old woman	Colorectal	7	Erbitux (cetuximab) + Avastin	31	162
81-year-old woman	Ovarian	6	Topotecan + Avastin	71	224
53-year-old man	Colorectal	2	5-fluorouracil + irinotecan + leucovorin + Avastin	33	861
55-year-old man	Colorectal	3	5-fluorouracil + irinotecan + leucovorin + Avastin	146	164

These collective data demonstrate that TRC105 is active with Avastin based on decreases of tumor size and durability of treatment in patients whose cancer progressed on prior treatment with Avastin or other VEGF inhibitors.

Phase 2 Clinical Trial of TRC105 as a Single Agent or Combined with Avastin in Patients with Glioblastoma that Progressed on Prior Avastin Treatment

We completed a Phase 2 clinical trial evaluating the safety, tolerability, and anti-tumor activity of TRC105 in combination with Avastin in patients with glioblastoma that progressed on prior initial treatment with combined chemotherapy and radiation therapy and subsequent treatment with Avastin. The primary endpoint of the trial was to determine median overall survival, and secondary endpoints included assessment of tolerability and determination of response rate and time to tumor progression. After an initial portion of the trial assessing the safety of TRC105 as a single agent, 16 patients were treated with TRC105 at 10 mg/kg given weekly with Avastin at 10 mg/kg given every two weeks until cancer progression or unacceptable toxicity was reached. The concurrent administration of TRC105 and Avastin did not appear to increase the frequency or severity of known toxicities of TRC105 or Avastin. The combination of TRC105 with Avastin provided clinical benefit to one patient whose cancer had progressed on Avastin immediately prior to entering the trial and who remained on treatment with TRC105 with Avastin for longer than the prior treatment with Avastin alone. The majority of patients with Avastin-resistant glioblastoma who enrolled in the trial had cancer progression in fewer than four months on prior Avastin treatment, and median progression-free survival was two months following treatment with TRC105 and Avastin. In future clinical trials, we will focus on enrolling patients with glioblastoma prior to Avastin treatment, when they may be more likely to be responsive to angiogenesis inhibition.

Phase 1 Clinical Trial of TRC105 with Xeloda in Patients with Metastatic Breast Cancer

We completed a Phase 1 ascending dose clinical trial evaluating the safety, tolerability, pharmacokinetics and anti-tumor activity of TRC105 in combination with Xeloda. The primary endpoint of the trial was to determine the recommended dose of TRC105 to be used in combination with Xeloda for Phase 2 clinical trials and to assess overall safety and tolerability of the combination. Secondary endpoints included analysis of TRC105 distribution in the blood, assessment of whether antibodies were made in response to treatment with TRC105 and assessment of preliminary evidence of improved anti-tumor activity when TRC105 was combined with Xeloda. Given the limited number of patients in this clinical trial, no statistical analyses were performed. Nineteen patients, primarily with metastatic breast cancer, were treated with escalating doses of TRC105 until cancer progression or unacceptable toxicity was reached using a standard dose escalation design at dose levels of 7.5 and 10 mg/kg given weekly, in combination with the recommended single agent dose of Xeloda of 1,000 mg/m^2 given twice daily for two weeks followed by a one week rest period. TRC105 and Xeloda were generally well tolerated when dosed together at their recommended single agent doses. The concurrent administration of TRC105 with Xeloda did not otherwise appear to increase the frequency or severity of expected toxicities of TRC105 or Xeloda. Pharmacokinetic studies indicated continuous serum levels of TRC105 at doses above target concentrations at both TRC105 dose level. Antibodies to TRC105 were detected in one patient. Several patients demonstrated evidence of clinical benefit, including one patient with metastatic breast cancer who achieved a partial response as assessed by RECIST 1.1.

Phase 2 Randomized Clinical Trial of TRC105 with Avastin in Patients with Renal Cell Carcinoma

NCI completed enrollment of a Phase 2 clinical trial to study the activity of TRC105 in combination with Avastin, compared to treatment with Avastin alone, in patients with renal cell carcinoma that included non-clear histology. The NCI-sponsored trial in renal cell carcinoma included approximately 20 centers in the United States and enrolled patients with all histologic types of renal cell carcinoma who had received as many as four prior systemic therapies, including as many as four prior VEGF inhibitors, and had not been treated with Avastin previously. The trial was designed to randomize 88 total patients in equal proportions to receive TRC105 and Avastin or Avastin alone with the goal of demonstrating a 100% increase in progression-free survival. However, an interim analysis performed in September 2014 concluded that the trial was unlikely to achieve the primary endpoint, and enrollment was closed following the accrual of 62 patients. Patients who were already enrolled are continuing treatment, and we expect to receive data from this trial in mid 2015.

Other Phase 1 and Phase 2 Clinical Trials of TRC105 in Cancer Patients

A Phase 1, single agent, ascending dose clinical trial sponsored by NCI enrolled 21 patients with metastatic and treatment-resistant prostate cancer. The primary endpoint of the trial was to determine the recommended dose of TRC105 to be used in Phase 2 clinical trials and to assess overall safety and tolerability. Secondary endpoints included analysis of TRC105 distribution in the blood, assessment of whether antibodies were made in response to treatment with TRC105 and assessment of preliminary evidence of improved anti-tumor activity. Given the limited number of patients in this clinical trial, no statistical analyses were performed. Data reported at the annual meeting of the American Society of Clinical Oncology in June 2012 demonstrated that TRC105 was generally well tolerated at the top dose level studied of 20 mg/kg given every other week, with an adverse event profile similar to that seen in the first-in-human trial. TRC105 demonstrated evidence of anti-tumor activity, including reductions in prostate specific antigen, or PSA, and stable disease as assessed by RECIST 1.1 in ten of 16 patients with measurable soft tissue disease. A Phase 2 clinical trial of TRC105 sponsored by

NCI enrolled 13 patients with advanced or metastatic bladder cancer that had progressed on prior treatment with chemotherapy. NCI has not yet reported clinical data for this trial.

A Phase 2 clinical trial sponsored by NCI enrolled 11 patients with advanced or metastatic hepatocellular carcinoma that had progressed on prior treatment with Nexavar. The primary endpoint of the trial was to determine the time to tumor progression. Data reported at the Gastrointestinal Cancer Symposium of the American Society of Clinical Oncology in January 2014 indicated TRC105 at 15 mg/kg every two weeks demonstrated anti-tumor activity in several of the ten patients presented, including in one patient who achieved a partial response as assessed by RECIST 1.1. However, at least three of the first ten patients needed to be free of tumor progression to enroll further patients in the trial, and only two of ten patients were free of tumor progression after four months of treatment.

Our Phase 2 clinical trial in 23 patients with advanced or metastatic ovarian cancer that had progressed on prior treatment with platinum chemotherapy treated with TRC105 at 10 mg/kg every week indicated limited anti-tumor activity, as evidenced by a minor tumor reduction in one patient and tumor marker reductions in several other patients. However, no patients achieved either of the dual primary endpoints of being free of tumor progression for at least six months or achieving a partial response as assessed by RECIST 1.1. Subsequent data from a Phase 1/2 clinical trial of TRC105 in combination with Avastin suggested advanced ovarian cancer patients were more likely to benefit from the combination treatment. These data are consistent with preclinical findings indicating that inhibition of the VEGF or endoglin pathway individually is less effective than inhibition of the VEGF and endoglin pathways simultaneously. Avastin was recently approved in the United States with chemotherapy for the treatment of ovarian cancer, and we expect to develop TRC105 in combination with Avastin and chemotherapy in this indication.

Safety of TRC105 as a Single Agent and in Combination with Approved VEGF Inhibitors

In clinical trials as of September 8, 2014, TRC105 has been administered to more than 250 patients and was generally well tolerated as a single agent and in combination with VEGF inhibitors. The most commonly reported adverse events related to TRC105 therapy, either alone or in combination, include anemia, dilated small vessels in the skin and mucosal membranes (which may result in nosebleeds and bleeding of the gums), headache, fatigue and gastrointestinal and other symptoms during the initial infusion of TRC105, or infusion reaction. Infusion reactions were reduced in frequency and severity through the use of premedication. The majority of treatment-related adverse events have been mild.

Serious adverse events, or SAEs, considered at least possibly related to TRC105 treatment as a single agent included bleeding in the stomach in a patient with undiagnosed ulcer disease, anemia, headache, lung infection, skin infection, infusion reaction, abdominal pain, back pain, bone pain, heart attack and light-headedness. Other than headache and nosebleed, which occurred in two patients each, each of these SAEs occurred in a single patient.

SAEs considered possibly related to TRC105 observed in patients treated with TRC105 in combination with Avastin included anemia, brain abscess, cellulitis, seizure (in a glioblastoma patient), fatal bleeding around the brain in a patient with glioblastoma who received an excess amount of medication to prevent blood clotting, headache, nosebleed, vomiting and deep vein thrombosis. Other than anemia, nosebleed, and deep venous thrombosis, which occurred in two patients each, each of these SAEs occurred in a single patient.

SAEs considered possibly related to TRC105 observed in hepatocellular carcinoma patients treated with TRC105 in combination with Nexavar included pancreatitis, cerebrovascular hemorrhage at a site of cerebral metastasis resulting in weakness on one side of the body in a patient with a platelet count below the normal range, fatal heart attack in a patient with significant coronary artery disease, temporary confusion in a patient with cirrhosis and elevated liver enzymes, infusion reaction and nosebleed. Each of these SAEs occurred in a single patient.

An SAE of infusion reaction considered possibly related to TRC105 was observed in a single renal cell carcinoma patient treated with TRC105 in combination with Inlyta. An SAE of headache considered possibly related to TRC105 was observed in a single breast cancer patient treated with TRC105 in combination with Xeloda. There have been no SAEs reported to date in soft tissue sarcoma patients considered related to TRC105 in patients treated with TRC105 in combination with Votrient.

Antibodies to TRC105 were detected in fewer than 5% of treated patients and were not associated with specific clinical effects.

TRC105 Investigational New Drug Applications

We are evaluating TRC105 in the United States in clinical trials under two INDs, the first of which we filed with the FDA in November 2007 for the treatment of patients with advanced solid tumors, and the second of which we filed with the FDA in September 2014 for the treatment of patients with renal cell carcinoma. Subsequent amendments to the first IND have included clinical protocols to study TRC105 alone, or in combination with VEGF inhibitors, in patients with multiple tumor types. TRC105 is also being studied in the United States under three INDs sponsored by NCI to evaluate TRC105 in patients with prostate cancer, liver cancer and bladder cancer, which NCI filed in December 2009, December 2010 and August 2010, respectively, and one IND sponsored by NCI to evaluate TRC105 in patients with renal cell carcinoma and glioblastoma, which NCI filed in April 2012. The INDs filed by NCI cross reference our IND.

Preclinical Studies

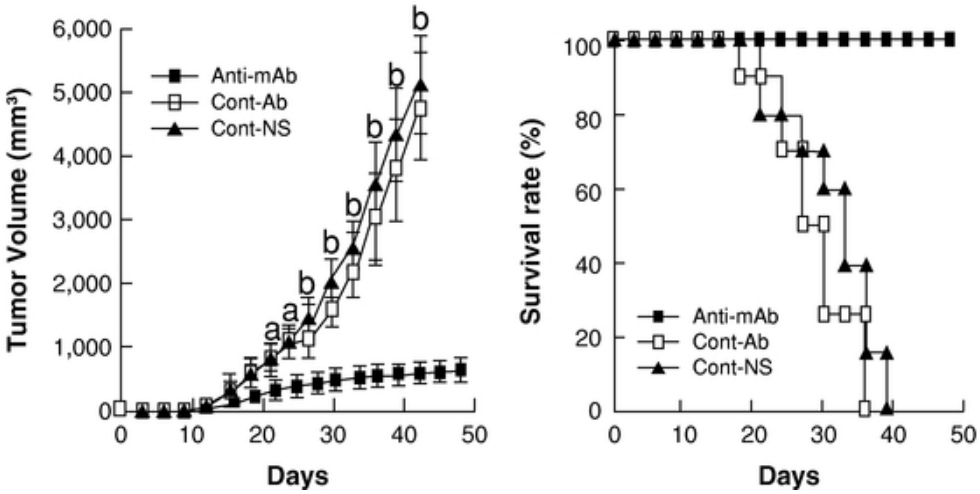
Anti-Endoglin Antibodies

A number of preclinical studies have demonstrated the feasibility of using anti-endoglin antibodies, both alone and in combination with VEGF inhibitors, to inhibit angiogenesis and treat tumors. These studies have also indicated that anti-endoglin antibodies and VEGF inhibitors may be more effective when used in combination than when used as single agents.

Anti-endoglin antibodies that bind to mouse endoglin have been shown to be effective anti-tumor agents in mice implanted with mouse tumor cells. An anti-endoglin antibody inhibited tumor growth of mouse liver cancer cells implanted subcutaneously and inhibited angiogenesis, as demonstrated by marked reduction in vascular density of the tumors treated with the anti-endoglin antibody. The figure on the left below shows the tumor progression in three groups of mice implanted with mouse liver cancer cells and then treated with one of anti-endoglin antibody ("Anti-mAb" in the figures below) antibody that did not bind endoglin ("Cont-Ab" in the figures below) or saline vehicle ("Cont-NS" in the figures below). Tumor growth was inhibited following treatment with the anti-endoglin antibody, and the degree of inhibition was statistically significant with a p-value of less than 0.05 at the time points indicated by "a" and with a p-value of less than 0.01 at the time points indicated by "b." 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. Furthermore, tumors treated with anti-endoglin antibody contained fewer blood vessels compared with mice treated with antibody that did not bind endoglin or with saline vehicle. As illustrated on the figure on

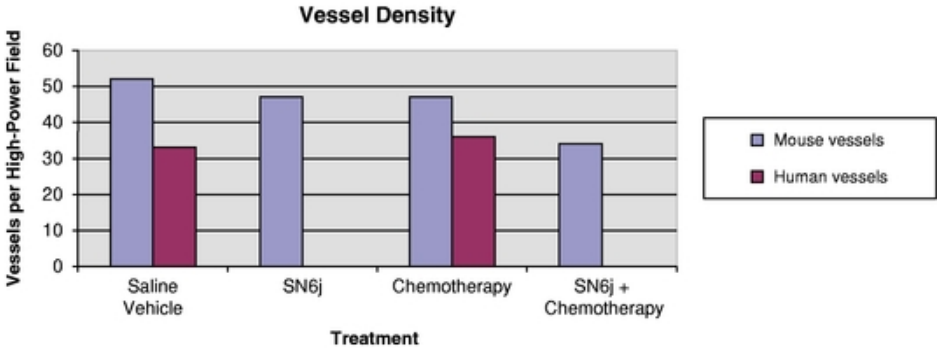
the right below, mice treated with the anti-endoglin antibody also survived significantly longer than animals treated with antibody that did not bind endoglin or saline vehicle.

Anti-tumor activity of anti-endoglin antibody in a mouse model of liver cancer



Our collaborator at the Roswell Park Cancer Institute showed that TRC105 is a potent inhibitor of angiogenesis mediated by human endothelial cells. A mouse engrafted with human skin was employed to compensate for the fact that the mouse antibody from which TRC105 was derived, SN6j, binds human endoglin to interrupt BMP binding, but does not interrupt BMP binding to mouse endoglin. Human breast cancer cells implanted into these mice grew based on the recruitment of blood vessels of mouse and human origin. SN6j was shown to suppress the growth of human breast cancer cells established in mice at a dose of 10 mg/kg when compared to saline vehicle and was able to increase the effects of cyclophosphamide chemotherapy. SN6j completely inhibited the growth of human blood vessels when given as a single agent or when combined with chemotherapy, as shown in the figure below, which depicts the number of blood vessels per high-power field in mice treated with saline vehicle and active treatments.

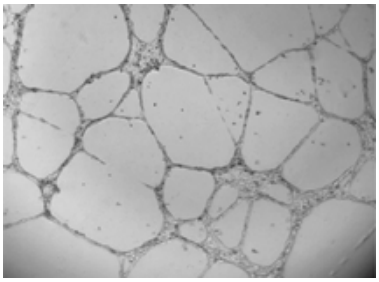
Inhibition of human blood vessel angiogenesis by anti-endoglin antibody in a mouse model of human breast cancer



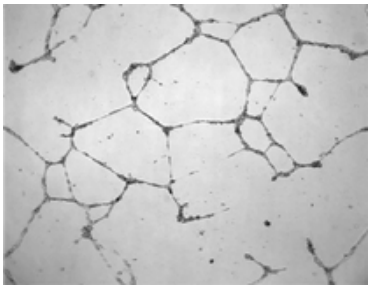
Our collaborator at Duke University has conducted preclinical studies on the effect of TRC105 in combination with Avastin on angiogenesis mediated by human endothelial cells. Angiogenesis was modeled using human endothelial cells, which formed visible polygons, a measure of vascular networks, in culture, as demonstrated in the figure below. TRC105 and Avastin each inhibited human endothelial cell organization into vascular networks, compared to untreated cells. However, the combination of the two agents more effectively inhibited the organization of human endothelial cells into vascular networks than either agent alone.

Inhibition of endothelial cell organization into vascular structure in the presence of TRC105 and Avastin

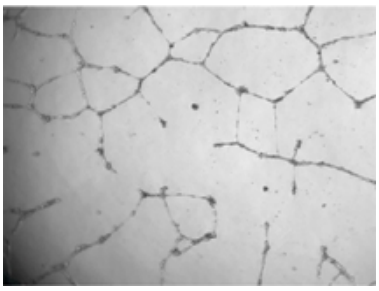
Untreated



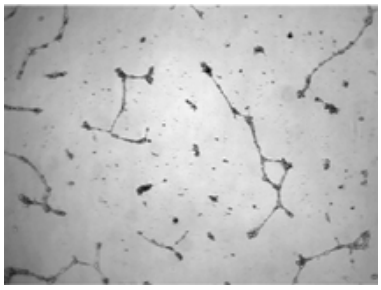
TRC105



Avastin

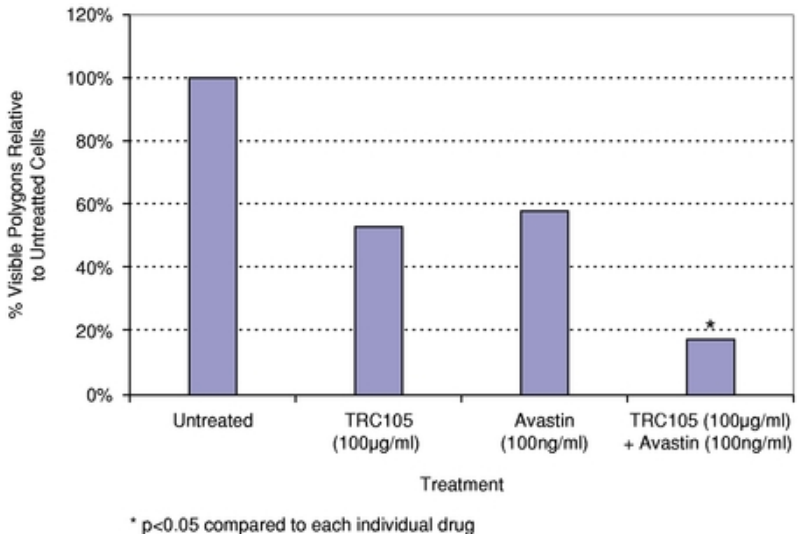


TRC105 + Avastin



Quantification of the number of visible polygons, as illustrated in the table below, indicated statistically significant inhibition with a p-value of less than 0.05 using the combination of the two drugs compared to each individual drug.

Comparison of the inhibition of endothelial cell organization into vascular structures



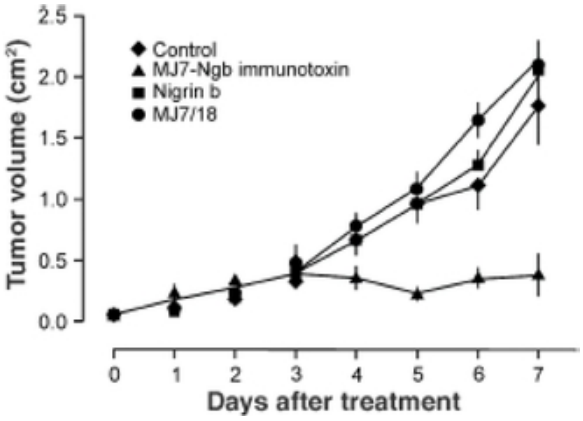
Anti-Endoglin Antibody Drug Conjugates

Many antibodies are more potent when linked to either drugs or toxins than as unconjugated antibodies. For example, Kadcyla (trastuzumab emtansine) is an approved antibody drug conjugate of the approved unconjugated antibody Herceptin (trastuzumab) and is active in patients whose cancer progressed on prior Herceptin treatment. In addition to its

potential as an unconjugated antibody, TRC105 could also be developed as an antibody drug conjugate.

Anti-endoglin antibody drug conjugates have been effective anti-tumor agents in preclinical models of human cancer in mice. MJ7/18, an antibody that binds to mouse endoglin, was conjugated to the Nigrin B toxin and dosed to mice bearing genetically identical melanoma tumors. Treatment of tumor-bearing mice with MJ7/18 or Nigrin B alone did not inhibit tumor growth compared to control animals. However, the anti-endoglin antibody drug conjugate, MJ7-Ngb immunotoxin, inhibited tumor growth and caused complete regressions of palpable tumors in several animals. Antibody drug conjugates constructed using our proprietary anti-endoglin antibodies have demonstrated similar results. In the future, we may pursue development of TRC105 as an antibody drug conjugate, which would complement its use as an unconjugated antibody.

Anti-tumor activity of anti-endoglin antibody drug conjugate in a mouse model of melanoma



Role of Anti-Endoglin Antibodies in AMD Treatment

Overview of AMD

AMD is a major public health problem that has a devastating effect on patients. AMD distorts central vision, which is necessary for daily activities such as reading, face recognition, watching television and driving and can lead to loss of central vision and blindness. According to a 2010 study sponsored by AMD Alliance International, the annual direct healthcare system cost of visual impairment worldwide due to AMD was estimated at approximately $255 billion.

According to the Macular Degeneration Partnership, approximately 15 million people in the United States and 30 million people worldwide suffer from some form of AMD. There are two forms of AMD: dry AMD and wet AMD. It is reported that wet AMD represents approximately 10% of all cases of AMD, but is responsible for 90% of the severe vision loss associated with the disease. Wet AMD is the leading cause of blindness in the Western world.

In a subset of AMD patients, dry AMD progresses to wet AMD as a result of abnormal angiogenesis in the choroid layer beneath the retina, which is referred to as choroidal neovascularization, or CNV. In the context of wet AMD, CNV is associated with the accumulation of other cell types and altered tissue. The new blood vessels associated with this abnormal angiogenesis tend to be fragile and often bleed and leak fluid into the macula, the central-most portion of the retina responsible for central vision and color perception. If left untreated, the blood vessel growth and associated leakage typically lead to retinal distortion and eventual retinal scarring, with irreversible destruction of the macula and loss of vision. This visual loss occurs rapidly with a progressive course.

Currently Available Therapies for Wet AMD

The current standard of care for wet AMD is administration by intraocular injection of VEGF inhibitors as single agents. VEGF inhibitors have been reported to be effective in treating wet AMD because of their ability to inhibit the effects of abnormal angiogenesis that defines CNV. The FDA has approved the VEGF inhibitors Lucentis (ranibizumab), Eylea and Macugen (pegaptanib sodium) for the treatment of wet AMD. Lucentis is an antibody fragment derived from the same full length antibody from which Avastin was derived. In 2013, annual worldwide sales of Lucentis and Eylea for all indications totaled more than $6.0 billion. This sales number does not include Avastin, which is commonly used off-label to treat wet AMD in the United States and, to a lesser extent, in the European Union.

The availability of VEGF inhibitors has significantly improved visual outcomes for many patients with wet AMD. A retrospective study published in 2012 confirmed that the prevalence of both legal blindness and moderate visual impairment in patients two years after being diagnosed with wet AMD has decreased substantially following the introduction of VEGF inhibitor therapy. Nonetheless, the condition of many patients with wet AMD treated with VEGF inhibitors does not improve significantly and in many cases deteriorates.

VEGF inhibitors prevent VEGF from binding to its natural receptor on endothelial cells in the abnormal new blood vessels, thereby inhibiting further CNV and leakage associated with wet AMD. However, VEGF inhibitor therapy may be limited in its ability to improve CNV. Results of third-party clinical trials suggest that visual outcomes for wet AMD patients receiving treatment with a VEGF inhibitor worsen over time and are often associated with the development of subretinal fibrosis and the growth of CNV over time. Furthermore, data from clinical trials conducted by Ophthotech Corporation indicate that vision in patients with AMD can be improved by targeting complementary pathways in combination with VEGF inhibitors.

As is the case with angiogenesis that drives tumor growth, we believe that the endoglin pathway serves as an escape pathway that allows continued CNV despite inhibition of the VEGF pathway. In addition, the impact of VEGF inhibitors may be limited by the activity of pericytes, which are the cells that cover the outside of blood vessels and support and stabilize newly formed vessels. Pericytes are not targeted by VEGF inhibitor therapies, but because they express endoglin, they are an additional target for anti-endoglin antibodies such as TRC105. These facts provide the rationale for treating wet AMD with a combination of anti-endoglin antibodies and VEGF inhibitors.

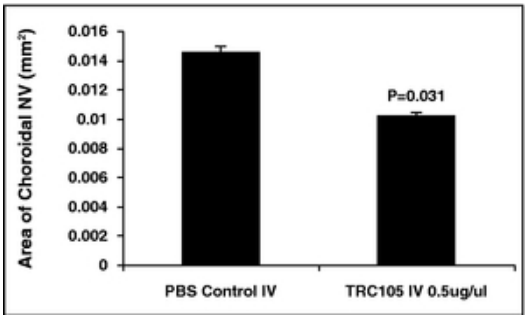
TRC105 Development in AMD

Preclinical Studies of TRC105 in AMD

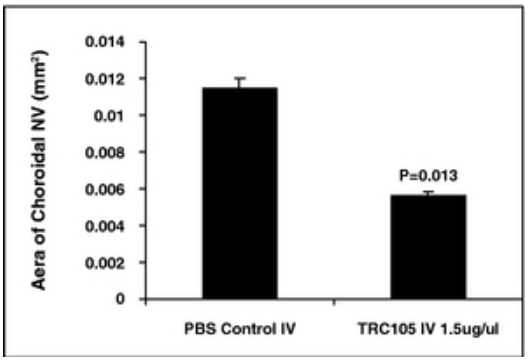
TRC105 was studied *in vivo* for its ability to inhibit angiogenesis through our collaborator at Johns Hopkins University, using a mouse model of CNV. Mice were divided into three groups that each received treatment with a different dose of TRC105, and each mouse received an intraocular injection of TRC105 in one eye and saline vehicle ("PBS Control IV" in the figures below) in the other eye. After 14 days, the area of CNV was measured by image analysis and the mean area and standard deviation were calculated. Treatment with TRC105 decreased the area of CNV as measured in square millimeters ("Area of Choroidal NV (mm^2)" in the figures below) in mice as illustrated in the figure below. The inhibitory effect of TRC105 on CNV was dose dependent, and statistically significant at each TRC105 dose level as evidenced by a

p-value of less than 0.05, and the highest dose administered (5 mg/mL) inhibited CNV by over 50% versus saline vehicle.

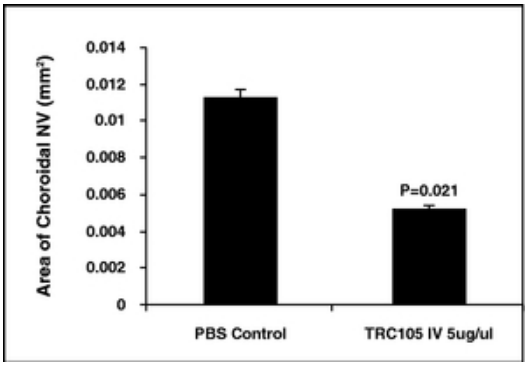
Dose dependent inhibition of CNV with TRC105 in a mouse model of wet AMD



Group 1 treated with 0.5 mg/mL of TRC105



Group 2 treated with 1.5 mg/mL of TRC105



Group 3 treated with 5 mg/mL of TRC105

Notably, the highest concentration of TRC105 used in this experiment was 5% of the concentration that we have developed for clinical trials of TRC105 in wet AMD patients.

DE-122 for Wet AMD

Our anti-endoglin antibodies for ophthalmology indications are being developed in collaboration with Santen. We have produced formulations of TRC105 for development in ophthalmology, and Santen is developing TRC105 under the name DE-122. Prior to initiating clinical trials of DE-122, Santen will need to file an IND. We expect that Santen will initiate clinical trials of DE-122 in wet AMD patients in 2015, and that these initial clinical trials will include testing of TRC105 in combination with a VEGF inhibitor.

Role of Anti-Endoglin Antibodies in Fibrotic Disease Treatment

Overview of Fibrosis

Fibrosis is a condition characterized by the harmful buildup of excessive fibrous tissue leading to scarring and ultimately organ failure. It is caused by the abnormal secretion of fibrous proteins, including collagen, by fibroblasts, which are cells that are present in all skin and connective tissue. As a result, fibrosis can affect almost any organ. Endoglin is expressed on fibroblasts, and its expression may be important to cell function. Increased endoglin expression has been demonstrated on fibroblasts from patients with heart failure and may play a role in the development of cardiac fibrosis as well as fibrotic diseases involving other organs. Examples of fibrotic diseases that may be initial target indications for TRC205 include NASH and IPF.

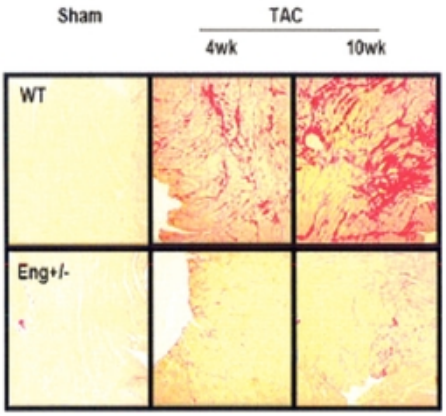
NASH is a common and serious chronic liver disease caused by excessive fat accumulation in the liver, or steatosis, that induces inflammation and may lead to progressive fibrosis and cirrhosis, followed by eventual liver failure and death. NASH is considered to be the second leading cause of hepatocellular carcinoma, and its prevalence is increasing. NASH is believed to be one of the most common chronic liver diseases worldwide, with an estimated prevalence of 2% to 5% of the general adult population in the United States, and an estimated prevalence of 2% to 3% in Europe and other developed countries. There are currently no therapeutic products approved for the treatment of NASH. Current treatment options are limited to off-label therapies. Given the lack of available treatment options, we believe that there is a significant unmet need for a novel therapy for NASH, particularly in those patients with advanced fibrosis and cirrhosis.

IPF is a disease characterized by progressive fibrosis of the lungs, which leads to their deterioration and destruction. The cause of IPF is unknown. Research suggests that there are between 40,000 and 80,000 diagnosed cases of IPF in the United States, with similar prevalence in the European Union. Esbriet (pirfenidone) is approved for the treatment of mild to moderate IPF in the United States, the European Union and other countries. OFEV (nintedanib) has been approved for the treatment of IPF in the United States and has been submitted for regulatory approval in the European Union.

The Role of Endoglin in Fibrosis

Preclinical and clinical data from Tufts University identified increased endoglin expression on fibroblasts in the left ventricle of patients with heart failure and demonstrated that inhibiting endoglin limits TGF-b signaling and production of fibrotic proteins by human cardiac fibroblasts. Inhibiting endoglin function decreased cardiac fibrosis, preserved left ventricular function, and improved survival in mouse models of heart failure. In the figure below, wild-type mice ("WT" in the figure below) that contain both copies of the endoglin gene develop fibrosis, as evidenced by collagen deposition darkly stained in the figure below, at four and ten weeks following the induction of heart failure. However, in endoglin deficient mice fibrosis is decreased at four and ten weeks, as evidenced by the lack of dark stain ("Eng +/-" in the figure below). Survival also improved in endoglin-deficient mice. Studies using TRC105 demonstrated that TRC105 reversed cardiac fibrosis in mouse models. These data were published in *Circulation* and the *Journal of the American Heart Association*. Subsequent preclinical research in mouse models indicated that antibodies to endoglin inhibit cardiac and liver fibrosis. Although initial findings indicate endoglin's importance in cardiac and liver fibrosis, we believe these findings may be applicable to multiple fibrotic diseases, including NASH, IPF and myelofibrosis, given that endoglin is expressed on fibroblasts, a cell that is critical to the process of fibrosis in the heart, lung, liver and other organs.

Cardiac Fibrosis in Wild-Type Mice and Endoglin-Deficient Mice



TRC205 and TRC105 Development in Fibrotic Diseases

We may develop TRC105 in myelofibrosis, a hematologic malignancy characterized by fibrosis in the bone marrow that results in decreased production of red blood cells, white blood cells and platelets. We also are using our knowledge of the endoglin pathway to design and evaluate a fully humanized and deimmunized anti-endoglin antibody called TRC205. We have cloned this antibody and demonstrated high affinity binding to human endoglin. We expect to contract with a third-party manufacturer to prepare production-grade cell lines for the manufacture of TRC205 in accordance with current good manufacturing practice, or cGMP, to file an IND to begin clinical development of TRC205 in non-malignant fibrotic diseases in 2016.

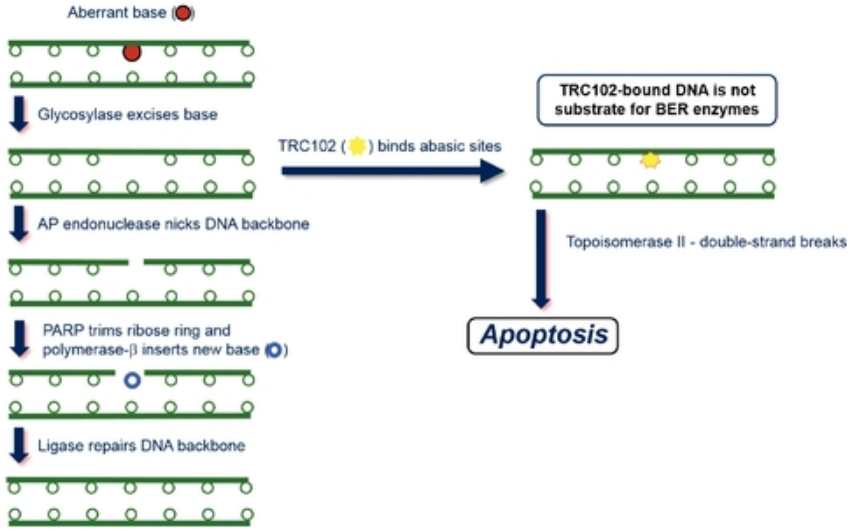
Overview of Base Excision Repair and the Mechanism of Action of TRC102

Base-excision repair, or BER, is a complex and fundamental cellular process used by cancer cells to repair the DNA damage caused by chemotherapeutics, especially the classes of chemotherapeutics known as alkylating agents, including Temodar, dacarbazine and bis-dichloroethyl-nitrosourea, or BCNU, and anti-metabolite agents, including Fludara and Alimta. The process of BER removes DNA bases damaged by chemotherapy, resulting in the formation of gaps in the DNA strand called apurinic and apyrimidinic, or AP, sites. The appropriate base is then inserted in this gap to restore the proper tumor DNA sequence. By this process, cancer cells can circumvent the anti-tumor effects of chemotherapy.

Inhibition of BER has been proposed as a way to improve the efficacy of chemotherapeutics; however, to our knowledge, no inhibitors of BER have yet been tested in clinical trials. We are developing TRC102 (methoxyamine hydrochloride) to reverse resistance to specific chemotherapeutics by inhibiting BER. TRC102 interrupts BER by rapidly and covalently binding within AP sites, converting the AP site to a substrate for the enzyme topoisomerase II,

which cleaves TRC102-bound DNA, resulting in an accumulation of DNA strand breaks that trigger cellular apoptosis, or programmed cell death, as illustrated in the figure below:

TRC102 binding results in apoptosis



The induction of apoptosis by TRC102 is relatively selective for cancer cells, which typically overexpress topoisomerase II. In nonmalignant cells with low topoisomerase II expression, TRC102-bound DNA is excised and replaced by a separate DNA repair system.

TRC102 Development in Oncology

TRC102 is being developed to reverse resistance to Temodar, an alkylating chemotherapeutic, as well as to Alimta and Fludara, two antimetabolite chemotherapeutics. We consider it advantageous to combine TRC102 with Alimta because Alimta is already approved in one large market indication (lung cancer) and one orphan drug indication (mesothelioma). Temodar is an approved chemotherapeutic used as a standard of care agent to treat glioblastoma, and Fludara is an approved chemotherapeutic used as a standard of care agent to treat lymphoma and leukemia. We have completed a Phase 1 clinical trial of oral TRC102 given with Alimta, and Phase 1 clinical trials of intravenous TRC102 with Temodar and with Fludara are ongoing through our collaborator, Case Western. We are also collaborating with NCI in the development of TRC102, and NCI is studying oral TRC102 with Temodar in a Phase 1 clinical trial in cancer patients who do not have brain metastases. We also expect that NCI will initiate a Phase 1/2 clinical trial of TRC102 with Temodar in glioblastoma, a Phase 1 clinical trial of TRC102 with Alimta and cisplatin in mesothelioma, a Phase 2 clinical trial of TRC102 with Alimta in patients with lung cancer, and a Phase 1 clinical trial of TRC102 with Alimta, cisplatin and radiation therapy in patients with lung cancer. If Phase 2 data indicates activity of TRC102 with Temodar, we believe this data would support the initiation of a Phase 3 clinical trial with the goal of approving TRC102 with Temodar for treatment of glioblastoma. If Phase 2 data indicates activity of TRC102 with Alimta or other antimetabolite chemotherapeutics, we believe this data would support the initiation of Phase 3 clinical trials with the goal of approving TRC102 for treatment with Alimta or other approved antimetabolite chemotherapeutics. We expect to fund Phase 3 clinical trials, if merited by Phase 2 data.

We filed an IND for TRC102 in March 2008, Case Western filed an IND for TRC102 in March 2006, and NCI filed an IND for TRC102 in March 2013, all for the treatment of patients with advanced solid tumors. The IND filed by NCI cross references our IND.

Completed Phase 1 Clinical Trial

We completed a Phase 1 ascending dose clinical trial evaluating the safety, tolerability, pharmacokinetics, pharmacodynamics and anti-tumor activity of TRC102 given with Alimta in patients with advanced solid tumors. The primary endpoint of the trial was to determine the recommended dose of TRC102 to be used in combination with Alimta for Phase 2 clinical trials and to assess overall safety and tolerability of the combination. Secondary endpoints included analysis of TRC102 distribution in the blood, assessment of whether TRC102 inhibited BER and assessment of preliminary evidence of improved anti-tumor activity when TRC102 was combined with Alimta. Given the limited number of patients in this clinical trial, no statistical analyses were performed. Twenty-eight patients were treated with escalating doses of TRC102 until cancer progression or unacceptable toxicity using a standard dose escalation design at dose levels of 15, 30, 60 and 100 mg/m^2 given once daily for four days of recurring three-week cycles with the approved dose of Alimta given every three weeks. The maximum tolerated dose was exceeded at the top dose of 100 mg/m^2 given once daily due to anemia, as predicted by preclinical studies. Anemia was the only dose limiting toxicity reported and was not accompanied by significant low platelet count or low white blood cell count, and was reversible and manageable with standard supportive measures. The 30 mg/m^2 daily TRC102 dose level was generally well tolerated and achieved target TRC102 levels in the blood and inhibited BER as expected in the peripheral blood cells of cancer patients. In addition, Alimta exposure analyzed following dosing with the co-administration of TRC102 was similar to published Alimta exposures, indicating that TRC102 did not affect the clearance of Alimta.

All 28 patients had RECIST-defined measurable disease, and 25 underwent at least one response assessment. Fifteen patients had a best response of stable disease or better lasting for three or more cycles, including a 61-year-old woman with metastatic salivary gland cancer treated previously with Erbitux, Taxotere (docetaxel) and carboplatin, whose tumor expressed high levels of a marker associated with resistance to Alimta. This patient had a partial response as assessed by RECIST 1.1 and remained in our clinical trial without cancer progression for 14 months. In addition, 14 patients had stable disease for three or more cycles including patients with squamous cell lung cancer (three patients), epithelial ovarian cancer (three patients), colorectal cancer (two patients), non-squamous non-small cell lung cancer (one patient), pancreatic cancer (one patient), prostate cancer (one patient), endometrial cancer (one patient), head and neck cancer (one patient) and breast cancer (one patient). These data were published in *Investigational New Drugs* in 2012.

Ongoing Clinical Trials of TRC102

As of April 2012, Case Western had dosed 23 cancer patients in a Phase 1 clinical trial combining TRC102 as an IV formulation with Temodar, which is expected to enroll approximately 50 patients. Interim data presented at the annual meeting of the American Association for Cancer Research in 2012 indicated TRC102 was well tolerated with Temodar and inhibited BER as expected in the peripheral blood cells of cancer patients, and patients achieved stable disease as assessed by RECIST 1.1 for up to 11 months. Case Western is also enrolling cancer patients in a Phase 1 clinical trial combining TRC102 as an IV formulation with Fludara, which has enrolled 20 patients and which was presented at the annual meeting of the American Society of Hematology in San Francisco in December 2014. The presentation concluded that the combination of Fludara and TRC102 was well tolerated and resulted in partial response and stable disease by RECIST 1.1 in patients treated previously with Fludara. Further, the combination of Fludara and TRC102 caused DNA damage that was consistent with the expected activity of the combination of the two drugs.

NCI has initiated a Phase 1 clinical trial of oral TRC102 with Temodar in cancer patients who do not have brain metastases. NCI has also selected cooperative groups or academic

medical centers to study TRC102 with Temodar in brain cancer patients in a Phase 1/2 clinical trial through the American Brain Tumor Consortium, to study TRC102 with Alimta and cisplatin in patients with mesothelioma in a Phase 1 clinical trial through the California Cancer Consortium, to study TRC102 with Alimta in patients with lung cancer in another Phase 2 clinical trial through the California Cancer Consortium and to study TCR102 with Alimta, cisplatin and radiation therapy in lung cancer in a Phase 1 clinical trial through Case Western.

Preclinical Studies

Preclinical studies conducted by Case Western demonstrated that increased DNA strand breaks occurred in cells exposed to BCNU in combination with TRC102 versus cells exposed to BCNU alone. These results suggest that a significant increase in DNA damage occurs when an alkylating agent is combined with TRC102. TRC102 also reversed resistance of colorectal cancer cells to BCNU *in vivo*. Four human colorectal cancer cell lines were grown as tumors in mice and then exposed to TRC102 and BCNU. While all cell lines were insensitive to BCNU alone, the combined administration of TRC102 and BCNU resulted in significant growth inhibition in all tested human tumors grown in mice.

TRC102 also increased the anti-tumor effect of another alkylating chemotherapeutic, Temodar. Tumor regression was noted when mice were treated with a combination of Temodar and TRC102. In comparison, each agent alone either had no effect or delayed tumor growth but did not produce regression. Moreover, although TRC102 was able to improve the efficacy of Temodar, there was no additional toxicity compared to animals treated with Temodar alone as assessed by body weight and complete blood counts. Tumor apoptosis in this mouse experiment occurred in a dose- and time-dependent manner after treatment with TRC102 and Temodar. Additional preclinical studies indicate that TRC102 increased the efficacy of the combination of Temodar and a poly ADP-ribose polymerase, or PARP, inhibitor. These data suggest that the inhibition of BER by TRC102 increases the sensitivity of tumor cells to the effects of alkylating agents such as Temodar and BCNU. TRC102's lack of toxicity provides an excellent opportunity to increase the therapeutic effects of alkylating agents while avoiding the toxicities of combination therapies with cytotoxic agents. We believe this approach may benefit patients whose therapy requires the use of alkylating agents for treatment, including patients with breast, brain and urinary tract cancers, as well as hematologic cancers such as myeloma and lymphoma.

Further data from preclinical studies combining TRC102 with Fludara and Alimta indicated that TRC102 similarly increased the efficacy of a second class of chemotherapeutics known as anti-metabolites. DNA damage caused by the anti-metabolite Fludara is repaired by BER. As with alkylating chemotherapeutics, TRC102 increased the number of DNA strand breaks caused by Fludara, leading to increased apoptosis. The addition of TRC102 also increased the anti-tumor activity of Fludara in a study using human colon cancer cells grown in mice. Similar studies were conducted with Alimta, another anti-metabolite agent. Alimta treatment induced BER in cancer cells, as evidenced by the generation of large numbers of AP sites. Treatment with Alimta in combination with TRC102 increased the number of DNA strand breaks relative to treatment with Alimta alone. TRC102 also reversed resistance to Alimta in human lung cancer cells grown in mice.

Clinical and Regulatory Efficiencies

Our clinical operations and regulatory affairs groups are responsible for significant aspects of our clinical trials, including site selection, site qualification, site initiation, site monitoring, maintenance of the trial master file, regulatory compliance, drug distribution management, contracting and budgeting, database management, edit checks, query resolution, and clinical study report preparation. The use of this internal resource eliminates the cost associated with hiring CROs to manage clinical, regulatory and database aspects of the Phase 1 and Phase 2 clinical trials that we sponsor in the United States. In our experience, this model has resulted in capital efficiencies and improved communication with clinical trial sites, which expedite patient enrollment and access to patient data compared to a CRO-managed model, and we plan to leverage this capital efficient model for future product development.

We have also been able to advance clinical development of TRC105 and TRC102 in a capital-efficient manner through our collaboration with NCI. Both of our clinical stage assets, TRC105 and TRC102, have been selected by NCI for funding of Phase 1 and Phase 2 development. This highly competitive program is designed to accelerate the development of promising oncology drugs that target novel anti-cancer pathways. Genentech Inc. collaborated with NCI to accelerate the development of Avastin. Notably, Phase 3 clinical trials of Avastin (in lung cancer, breast cancer, and renal cell carcinoma) were conducted through NCI, and data from these Phase 3 clinical trials were important elements of the supplemental Biologics License Applications, or BLAs, submitted by Genentech that resulted in the approval of Avastin in these indications. Phase 2 clinical trials of both TRC102 and TRC105 are being performed in collaboration with NCI. If merited by Phase 2 data, we expect to fund initial Phase 3 clinical trials of TRC105 and TRC102 and, based on NCI's past course of conduct with similarly situated pharmaceutical companies in which it has sponsored pivotal clinical trials following receipt of positive Phase 2 data, we anticipate that NCI will sponsor Phase 3 clinical trials in additional indications.

Collaboration and License Agreements

License Agreement with Santen

In March 2014, we entered into a license agreement with Santen, under which we granted Santen an exclusive, worldwide license to certain patents, information and know-how related to TRC105, or the TRC105 Technology. Under the agreement, Santen is permitted to use, develop, manufacture and commercialize TRC105 products for ophthalmology indications, excluding systemic treatment of ocular tumors. Santen also has the right to grant sublicenses to affiliates and third party collaborators, provided such sublicenses are consistent with the terms of our agreement. In the event Santen sublicenses any of its rights under the agreement relating to the TRC105 Technology, Santen will be obligated to pay us a portion of any upfront and certain milestone payments received under such sublicense.

Santen has sole responsibility for funding, developing, seeking regulatory approval for and commercializing TRC105 products in the field of ophthalmology. In the event that Santen fails to meet certain commercial diligence obligations, we will have the option to co-promote TRC105 products in the field of ophthalmology in the United States with Santen. If we exercise this option, we will pay Santen a percentage of certain development expenses, and we will receive a percentage of profits from sales of the licensed products in the ophthalmology field in the United States, but will not also receive royalties on such sales.

We will own any and all discoveries and inventions made solely by us under the agreement, and Santen will own any and all discoveries and inventions made solely by Santen under the agreement. We will jointly own discoveries and inventions made jointly by us and Santen. We have the first right, but not the obligation, to enforce the patents licensed to Santen

under the agreement, and Santen has the first right, but not the obligation, to enforce the patents it controls that are related to TRC105 and the patents owned jointly by us and Santen. Subject to certain limitations, if the party with the first right to enforce a patent fails to timely do so, the other party will have the right to enforce such patent.

In consideration of the rights granted to Santen under the agreement, we received a one-time upfront fee of $10.0 million. In addition, we are eligible to receive up to a total of $155.0 million in milestone payments upon the achievement of certain milestones, of which $20.0 million relates to the initiation of certain development activities, $52.5 million relates to the submission of certain regulatory filings and receipt of certain regulatory approvals and $82.5 million relates to commercialization activities and the achievement of specified levels of product sales. If TRC105 products are successfully commercialized in the field of ophthalmology, Santen will be required to pay us tiered royalties on net sales ranging from high single digits to low teens, depending on the volume of sales, subject to adjustments in certain circumstances. In addition, Santen will reimburse us for all royalties due by us under certain third party agreements with respect to the use, manufacture or commercialization of TRC105 products in the field of ophthalmology by Santen and its affiliates and sublicensees. Royalties will continue on a country-by-country basis through the later of the expiration of our patent rights applicable to the TRC105 products in a given country or 12 years after the first commercial sale of the first TRC105 product commercially launched in such country.

Santen may unilaterally terminate this agreement in its entirety, or on a country-by-country basis, for any reason or for no reason upon at least 90 days' notice to us (or 30 days' notice if after a change in control). Either party may terminate the agreement in the event of the other party's bankruptcy or dissolution or for the other party's material breach of the agreement that remains uncured 90 days (or 30 days with respect to a payment breach) after receiving notice from the non-breaching party. Unless earlier terminated, the agreement continues in effect until the termination of Santen's payment obligations.

License Agreement with Roswell Park Cancer Institute and Health Research Inc.

In November 2005, we entered into a license agreement with Health Research Inc. and Roswell Park Cancer Institute, referred to collectively as RPCI. The agreement was amended in November 2009, February 2010 and September 2014. Under the agreement, we obtained an exclusive, worldwide license to certain patents and other intellectual property rights controlled by RPCI related to anti-endoglin antibodies, including TRC105, and their therapeutic uses, which we refer to as the RPCI Technology, and a non-exclusive, worldwide license to certain know-how controlled by RPCI related to the RPCI Technology. Under the agreement, we are permitted to use, manufacture, develop and commercialize products utilizing the RPCI Technology in all fields of use. In addition, we are permitted to sublicense our rights under the agreement to third parties.

Under the agreement, we are responsible for development and commercialization activities for products utilizing the RPCI Technology, and we are obligated to use all commercially reasonable efforts to bring a product utilizing the RPCI Technology to market timely and efficiently.

In consideration of the rights granted to us under the agreement, we paid a one-time upfront fee to RPCI. In addition, we may be required to pay up to an aggregate of approximately $6.4 million upon the achievement of certain milestones for products utilizing the RPCI Technology, including TRC105, of which approximately $1.4 million relates to the initiation of certain development activities and $5.0 million relates to certain regulatory filings and approvals. Pursuant to the amendment entered into in November 2009, we may also be required to pay up to an aggregate of approximately $6.4 million upon the achievement of certain

milestones for products utilizing a patent owned by us covering humanized anti-endoglin antibodies, including TRC205, of which approximately $1.4 million relates to the initiation of certain development activities and $5.0 million relates to certain regulatory filings and approvals. Upon commercialization, we will be required to pay RPCI mid single-digit royalties based on net sales of products utilizing the RPCI Technology in each calendar quarter, subject to adjustments in certain circumstances. In addition, pursuant to the amendment entered into in November 2009, we will be required to pay RPCI low single-digit royalties based on net sales in each calendar quarter of products utilizing our patent covering humanized anti-endoglin antibodies. Our royalty obligations continue until the expiration of the last valid claim in a patent subject to the agreement, which we expect to occur in 2029, based on the patents currently subject to the agreement.

We may unilaterally terminate this agreement in whole or in part, for any reason or no reason, upon at least 60 days' notice to RPCI. RPCI may terminate the agreement if we fail to pay any amount due under the agreement or materially breach the agreement and the breach remains uncured 90 days after receiving notice. In the event of our bankruptcy, the agreement will automatically terminate. Unless otherwise terminated, the agreement will remain in effect on a country-by-country basis until the expiration of the last valid claim under the patents subject to the agreement.

License Agreement with Case Western

In August 2006, we entered into a license agreement with Case Western, under which we obtained an exclusive, worldwide license to certain patents, know-how and other intellectual property controlled by Case Western related to methoxyamine, which we refer to as the TRC102 Technology. Under the agreement, we have the right to use, manufacture and commercialize products utilizing the TRC102 Technology for all mammalian therapeutic uses, and to sublicense these rights.

Under the agreement, we are generally obligated to use our best efforts to commercialize the TRC102 Technology as soon as possible. We are also required to meet specified diligence milestones, and if we fail to do so and do not cure such failure, Case Western may convert our license into a non-exclusive license or terminate the agreement.

In consideration of the rights granted to us under the agreement, we paid a one-time upfront fee to Case Western. In addition, we may be required to pay up to an aggregate of approximately $9.8 million in milestone payments, of which $650,000 relates to the initiation of certain development activities and approximately $9.1 million relates to the submission of certain regulatory filings and receipt of certain regulatory approvals. If products utilizing the TRC102 Technology are successfully commercialized, we will be required to pay Case Western a single-digit royalty on net sales, subject to adjustments in certain circumstances. Beginning on the earlier of a specified number of years from the effective date of the agreement and the anniversary of the effective date following the occurrence of a specified event, we will be required to make a minimum annual royalty payment of $75,000, which will be credited against our royalty obligations. In the event we sublicense any of our rights under the agreement relating to the TRC102 Technology, we will be obligated to pay Case Western a portion of certain fees we may receive under the sublicense. Our royalty obligations will continue on a country-by-country basis through the later of the expiration of the last valid claim under the TRC102 Technology or 14 years after the first commercial sale of a product utilizing the TRC102 Technology in a given country.

We may unilaterally terminate this agreement in its entirety, for any reason or for no reason, upon at least 30 days' notice to Case Western. If we do so, we will be required to pay Case Western a termination fee. If we fail to pay any amount required under the agreement and

do not cure the default within 90 days of receiving notice, Case Western will have to right to convert our exclusive license to a non-exclusive license or to terminate the agreement entirely. Either party may terminate the agreement in the event of the other party's material breach of the agreement that remains uncured 60 days after receiving notice of the breach.

License Agreement with Lonza Sales AG

In June 2009, we entered into a license agreement with Lonza Sales AG, or Lonza, under which we obtained a world-wide non-exclusive license to Lonza's glutamine synthetase gene expression system consisting of cell lines into which TRC105 may be transfected and corresponding patents and applications, which we refer to as the Lonza Technology. Under the agreement, we are permitted to use, develop, manufacture and commercialize TRC105 obtained through use of the Lonza Technology.

In consideration for the rights granted to us under the agreement, we are required to pay Lonza a low single-digit percentage royalty on the net selling price of TRC105 product manufactured by Lonza. In the event that we or a strategic partner or collaborator manufactures the product, we will be required to pay Lonza an annual lump sum payment of £75,000, along with a low single-digit percentage royalty on the net selling price of the manufactured TRC105 product. In the event that we sublicense our manufacturing rights under the agreement (other than to a strategic partner or collaborator), we will be obligated to pay Lonza an annual lump sum payment of £300,000 per sublicense, along with a low single-digit percentage royalty on the net selling price of the manufactured TRC105 product. If, on a country-by-country basis, the manufacture or sale of the TRC105 product is not protected by a valid claim in a licensed patent, our royalty obligations in such country will decrease and will expire 12 years after the first commercial sale of the product.

We may unilaterally terminate this agreement for any reason upon at least 60 days' written notice to Lonza. Either party may terminate the agreement by written notice if the other party commits a breach and, if the breach is curable, does not cure the breach within 30 days of receiving notice from the non-breaching party. In addition, either party may terminate the agreement with written notice in the event of the other party's liquidation or appointment of a receiver. Unless earlier terminated, the agreement continues in effect until the later of the expiration of the last valid claim in a licensed patent or for so long as the know-how subject to the agreement is identified and remains secret and substantial.

Cooperative Research and Development Agreements with NCI

We are a party to three Cooperative Research and Development Agreements, or CRADAs, with the U.S. Department of Health and Human Services, as represented by NCI, for the development of TRC105 and TRC102 for the treatment of cancer. We entered into the two CRADAs governing the development of TRC105 in December 2010, or the 2010 CRADA, and January 2011, or the 2011 CRADA, respectively. The 2011 CRADA was amended in March 2013. The 2010 CRADA is with the Division of Cancer Treatment and Diagnosis of NCI, and the 2011 CRADA is with NCI's Center for Cancer Research. We entered into the CRADA governing the development of TRC102 in August 2012.

Under the CRADAs, NCI conducts clinical trials and non-clinical studies of either TRC105 or TRC102. We are responsible for supplying TRC105 for NCI's activities under the TRC105 CRADAs.

Pursuant to the terms of the 2010 CRADA, we are required to pay NCI $20,000 per clinical trial per year as well as expenses incurred by NCI in connection with carrying out its responsibilities under the 2010 CRADA, up to an aggregate maximum of $500,000 per year, as well as up to $5,000 per year for personnel-related expenses. At our discretion, we may also

provide additional funding to support assays and other studies. In addition, we made a one-time payment of $20,000 to support regulatory filings. Under the 2011 CRADA, we are required to pay NCI $5,000 per year for support for its research activities, as well as up to $5,000 per year for personnel-related expenses. We may also provide funding for mutually agreed upon animal studies. Under the TRC102 CRADA, we are required to pay NCI $20,000 per year per Phase 1 clinical trial and $25,000 per year per Phase 2 clinical trial, as well as expenses incurred by NCI in connection with carrying out its responsibilities under the TRC102 CRADA, up to an aggregate maximum per year of $200,000. We may also provide funding to support assays and other studies, and if NCI supplies TRC102 for additional mutually approved clinical trials beyond the planned trials, we will reimburse NCI for costs associated with manufacturing TRC102. In addition, we made a one-time payment of $20,000 for the initial IND filing and may be required to make additional one-time payments of $10,000 each for additional IND filings. Funding for clinical trials beyond those contemplated by the 2010 CRADA or the TRC102 CRADA will be determined in an amendment to the applicable CRADA. We have incurred an aggregate of $38,330 and $86,666 in annual clinical support payments under the CRADAs for the years ended December 31, 2012 and 2013, respectively.

Under each CRADA, each party individually owns all inventions, data and materials produced solely by its employees in the course of performing research activities pursuant to the CRADA. The parties jointly own any inventions and materials that are jointly produced by employees of both parties. Subject to certain conditions, we have the option under each CRADA to negotiate commercialization licenses from the government to intellectual property conceived or first reduced to practice in performance of the CRADA research plan that was developed solely by NCI employees or jointly by us and NCI employees.

Each CRADA has a five-year term, with the 2010 CRADA and the 2011 CRADA expiring on December 22, 2015 and January 28, 2016, respectively, and the TRC102 CRADA expiring on August 7, 2017. Each CRADA may be terminated at any time by mutual written consent, and we or NCI may unilaterally terminate any of the CRADAs for any reason or no reason by providing written notice at least 60 days before the desired termination date.

Sponsored Research Agreement with Tufts Medical Center, Inc.

In December 2014, we entered into a Sponsored Research Agreement with Tufts Medical Center, Inc., or Tufts MC, pursuant to which Tufts MC will conduct and we will fund a pre-clinical study of TRC105 in cardiac fibrosis.

In addition, we and Tufts MC have agreed on terms under which we could obtain an exclusive worldwide license to certain of Tufts MC's pre-existing intellectual property related to the treatment of cardiac fibrosis by targeting the endoglin pathway, as well as any new intellectual property generated from the pre-clinical research that we designate.

We and Tufts MC agreed to negotiate the license in good faith for a period of time following the completion of the pre-clinical research according to certain pre-established terms which include an up-front license fee payable to Tufts on the effective date of the license agreement, an annual license maintenance fee payable until the first licensed product is commercialized and reimbursement by us of Tufts MC's fees and expenses associated with prosecuting and maintaining licensed intellectual property. The license agreement would also require us to expend specified minimum amounts on development and commercialization during the first four years and to achieve certain development events within prescribed timeframes. We and Tufts MC also agreed that the license agreement would contain an obligation that we pay milestone payments totaling approximately $7.8 million to Tufts MC upon the achievement of certain development and sales milestones. We would also be obligated to pay a lower milestone payment with respect to each additional licensed product that achieves regulatory approval after

the first licensed product. In addition, we would be required to pay Tufts MC a low single-digit royalty on net sales, with a minimum annual royalty payment starting after the first commercial sale under the license agreement, which would be credited against our royalty obligations. In the event that we sublicense our rights under the license agreement, we would be required to pay Tufts MC a low single-digit or mid teens percentage of revenues received, depending on when the sublicense occurred. We would also be required to make a one-time payment to Tufts MC in the event that we undergo a change of control during term of the license agreement. Our royalty obligations would continue on a country-by-country basis through the last valid claim covering the licensed product or 10 years after the first commercial sale of a licensed product in such country, depending on whether the product was covered by a patent licensed under the agreement. It is possible that we and Tufts MC will not enter into a license agreement despite our mutual obligation to negotiate in good faith or that any license agreement would contain terms different than the pre-established terms described in the Sponsored Research Agreement.

Tufts MC may terminate the Sponsored Research Agreement, as well as any licenses or options granted to us thereunder, if we commit a breach and fail to cure the breach within 30 days of receiving written notice from Tufts MC. We may terminate the agreement upon written notice to Tufts MC if Tufts MC commits a breach and fails to cure the breach within 30 days of receiving written notice from us. We may also terminate the agreement upon 30 days written notice if the principal investigator is unavailable or unable to continue the research for over 90 days, and Tufts MC does not nominate a satisfactory replacement. Unless earlier terminated, the Sponsored Research Agreement continues for 30 days after the principal investigator's delivery of a written final report summarizing the results of the pre-clinical research specified in the Sponsored Research Agreement.

Manufacturing

We do not own or operate, nor do we expect to own or operate, facilities for product manufacturing, storage, distribution or testing. We therefore rely on various third-party manufacturers for the production of our product candidates. TRC105 drug substance for our preclinical studies, Phase 1 clinical trials and Phase 2 clinical trials is manufactured by Lonza, a contract manufacturer that also manufactures approved biologic cancer treatments marketed by other companies and is compliant to U.S. and European regulatory standards.

TRC105 drug substance is produced by Chinese hamster ovary, or CHO, cells developed at Lonza and manufactured using Lonza's proprietary manufacturing and purification processes. Lonza has capabilities to manufacture monoclonal antibodies and other protein therapeutics at the large scale needed for commercialization. We are currently working with Lonza to scale the process to a level that will support commercialization.

TRC105 drug product is produced by an FDA-registered contract manufacturer. The manufacturing process is relatively simple. Drug product is filter-sterilized and aseptically filled into single-use pharmaceutical grade vials and stoppered using an automated filling machine. The final drug product is stored refrigerated until used.

TRC102 drug substance is manufactured through a standard chemical synthesis and may be obtained from multiple manufacturers.

TRC205 is currently produced at research scale using standard antibody production methods. We expect to contract with a third-party manufacturer to prepare production-grade cell lines for the cGMP manufacture of TRC205 prior to initiating clinical trials.

Competition

The development and commercialization of new drugs is highly competitive, and we and our collaborators face competition with respect to each of our product candidates in their target indications. Many of the entities developing and marketing potentially competing products have significantly greater financial, technical and human resources and expertise than we do in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing. Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated among a smaller number of our competitors. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Our commercial opportunity will be reduced or eliminated if our competitors develop and commercialize products that are more effective, have fewer side effects, are more convenient or are less expensive than any products that we may develop.

If our product candidates are approved, they will compete with currently marketed drugs and therapies used for treatment of the following indications, and potentially with drug candidates currently in development for the same indications.

The key competitive factors affecting the success of any approved product will include its efficacy, safety profile, price, method of administration and level of promotional activity.

Oncology Therapies

We are developing TRC105 to be used in combination with VEGF inhibitors for the treatment of cancer. If TRC105 is approved, it could compete with other non-VEGF angiogenesis inhibitors in development, including some that also target the endoglin pathway and have the potential to be combined with VEGF inhibitors or used independently of VEGF inhibitors to inhibit angiogenesis. Acceleron Pharma Inc., Amgen, Inc., MedImmune LLC, OncoMed Pharmaceuticals Inc., Pfizer Inc., Regeneron Pharmaceuticals, Inc. and Roche AG are each developing non-VEGF angiogenesis inhibitors, which are in various phases of clinical development. Pfizer's product candidate targets the endoglin co-receptor ALK1 and is in a Phase 1b clinical trial in combination with Stivarga in patients with hepatocellular carcinoma. Acceleron's product candidate targets the endoglin ligand BMP and is in a Phase 2b clinical trial in combination with Inlyta in patients with renal cell carcinoma and a Phase 1b clinical trial in combination with Nexavar in patients with hepatocellular carcinoma.

We are developing TRC102 to be used in combination with alkylating chemotherapeutics (including Temodar) and antimetabolite chemotherapeutics (including Alimta and Fludara) for the treatment of cancer. If TRC102 is approved, it could compete with other inhibitors of DNA repair. Tesaro, Inc. and AbbVie Inc. are each developing inhibitors of DNA repair that work by a mechanism of action that is distinct from that of TRC102. In addition to the therapies mentioned above, there are many generic chemotherapeutics and other regimens commonly used to treat various types of cancer, including soft tissue sarcoma and glioblastoma.

AMD Therapies

Our partner Santen is developing DE-122 for the treatment of AMD and other eye diseases. If DE-122 is approved in combination with a VEGF inhibitor it could compete with product candidates currently in clinical development that inhibit the function of PDGF or inhibit the function of both VEGF and PDGF, of which Ophthotech Corporation's anti-PDGF agent, Fovista, currently in Phase 3 clinical development in combination with Lucentis, is the most advanced. If

DE-122 is approved as a single agent, it would compete with currently marketed VEGF inhibitors, including Avastin and Lucentis (marketed by Genentech in the United States), and Eylea (marketed by Regeneron in the United States), which are well established therapies and are widely accepted by physicians, patients and third-party payors as the standard of care for the treatment of AMD. In addition, DE-122 could face competition from other VEGF inhibitors in development, such as Allergan's VEGF inhibitor, DARPin, which is in Phase 2 clinical development for administration in a single intraocular injection.

Fibrotic Disease Therapies

If TRC205 is approved for the treatment of diseases characterized by fibrosis, including NASH and IPF, we anticipate that TRC205 could compete with other therapies being developed for the same or similar indications. In addition, TRC205 would compete with therapies currently used off-label to treat fibrotic diseases.

NASH

There are currently no therapeutic products approved by the FDA for the treatment of NASH. Several marketed therapeutics are currently used off-label for this indication, such as insulin sensitizers (including metformin), antihyperlipidemic agents (including gemfibrozil), pentoxifylline and Ursodeoxycholic acid (ursodiol), but they have not been proven effective in the treatment of NASH. We are aware of several companies that have product candidates in Phase 2 clinical development for the treatment of NASH, including Conatus Pharmaceuticals Inc., Galmed Medical Research Ltd., Genfit Corp., Gilead Sciences, Inc., Immuron Ltd., Intercept Pharmaceuticals, Inc., Lumena Pharmaceuticals, Inc., Mochida Pharmaceutical Co., Ltd., NasVax Ltd., Raptor Pharmaceutical Corp. and Takeda Pharmaceutical Company Limited, and there are other companies with candidates in earlier stage programs.

IPF

Esbriet, which is marketed by InterMune, Inc., is approved for the treatment of mild to moderate IPF in the United States, the European Union and other countries. OFEV, which is marketed by Boehringer Ingelheim, is approved for the treatment of IPF in the United States and has been submitted for regulatory approval in the European Union. There are at least eight product candidates in various stages of Phase 2 development being pursued by Biogen Idec., Bristol-Myers Squibb, Celgene Corporation, Fibrogen, Inc., Gilead, Janssen Pharmaceuticals Inc., Novartis AG and Sanofi S.A.

Commercialization

We hold worldwide commercialization rights for our oncology product candidates, TRC105 and TRC102, as well as for our fibrotic disease product candidate TRC205, while Santen holds worldwide commercialization rights for our anti-endoglin antibodies, including TRC105, in the field of ophthalmology. If TRC105 or TRC102 is approved in oncology indications, our plan is to build an oncology-focused specialty sales force in North America to support their commercialization and seek a partner to support commercialization outside of North America. We believe that a specialty sales force will be sufficient to target key prescribing physicians in oncology. We currently do not have any sales or marketing capabilities or experience. We plan to establish the required capabilities within an appropriate time frame ahead of any product approval and commercialization to support a product launch.

Intellectual Property

Our commercial success depends in part on our ability to obtain and maintain proprietary protection for our protein therapeutics, novel biological discoveries, to operate without infringing on the proprietary rights of others and to prevent others from infringing our proprietary rights. Our policy is to seek to protect our proprietary position by, among other methods, filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also rely on trade secrets, know-how, continuing technological innovation and potential in-licensing opportunities to develop and maintain our proprietary position. Additionally, we expect to benefit from a variety of statutory frameworks in the United States, Europe, Japan and other countries that relate to the regulation of biosimilar molecules and orphan drug status. These statutory frameworks provide periods of non-patent-based exclusivity for qualifying molecules. See "—Government Regulation."

Our patenting strategy is focused on our protein therapeutics. We seek composition-of-matter and method-of-treatment patents for each such protein in key therapeutic areas. We also seek patent protection with respect to companion diagnostic methods and compositions and treatments for targeted patient populations. We have sought patent protection alone or jointly with our collaborators, as dictated by our collaboration agreements.

Our patent estate as of December 29, 2014, on a worldwide basis, includes 12 issued patents and four pending patent applications in the United States and 16 issued patents and 28 pending patent applications outside the United States, with pending and issued claims relating to our product candidates. Thirteen of our issued patents cover antibodies to endoglin that we have selected as the core focus of our development approach. These figures include in-licensed patents and patent applications to which we hold exclusive commercial rights in non-ophthalmologic fields of use.

Individual patents extend for varying periods of time depending on the date of filing of the patent application or the date of patent issuance and the legal term of patents in the countries in which they are obtained. Generally, patents issued from applications filed in the United States are effective for twenty years from the earliest non-provisional filing date. In addition, in certain instances, a patent term can be extended to recapture a portion of the term effectively lost as a result of the FDA regulatory review period, however, the restoration period cannot be longer than five years and the total patent term including the restoration period must not exceed 14 years following FDA approval. The duration of foreign patents varies in accordance with provisions of applicable local law, but typically is also twenty years from the earliest international filing date. Our issued patents and pending applications with respect to our protein therapeutic candidates will expire on dates ranging from 2016 to 2033, exclusive of possible patent term extensions. However, the actual protection afforded by a patent varies on a product by product basis, from country to country and depends upon many factors, including the type of patent, the scope of its coverage, the availability of extensions of patent term, the availability of legal remedies in a particular country and the validity and enforceability of the patent.

National and international patent laws concerning protein therapeutics remain highly unsettled. No consistent policy regarding the patent-eligibility or the breadth of claims allowed in such patents has emerged to date in the United States, Europe or other countries. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries can diminish our ability to protect our inventions and enforce our intellectual property rights. Accordingly, we cannot predict the breadth or enforceability of claims that may be granted in our patents or in third-party patents. The biotechnology and pharmaceutical industries are characterized by extensive litigation regarding patents and other intellectual property rights. Our ability to maintain and solidify our proprietary position for our drugs and

technology will depend on our success in obtaining effective claims and enforcing those claims once granted. We do not know whether any of the patent applications that we may file or license from third parties will result in the issuance of any patents. The issued patents that we own or may receive in the future, may be challenged, invalidated or circumvented, and the rights granted under any issued patents may not provide us with sufficient protection or competitive advantages against competitors with similar technology. Furthermore, our competitors may be able to independently develop and commercialize similar drugs or duplicate our technology, business model or strategy without infringing our patents. Because of the extensive time required for clinical development and regulatory review of a drug we may develop, it is possible that, before any of our drugs can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of any such patent. The patent positions for our most advanced programs are summarized below:

TRC105 Patent Coverage

We hold issued patents covering the TRC105 composition of matter in the United States, Japan, and Canada. The expected expiration date for these composition-of-matter patents is 2016, plus any extensions of term available under the applicable national law.

We hold issued patents covering our humanized and deimmunized endoglin antibodies, including TRC205, in the United States, South Korea, Japan and Australia, and similar patents are pending in many other major jurisdictions worldwide, including Europe, Canada, China, Eurasia, Brazil, Israel and India. The expected expiration date for these composition of matter patents is 2029, exclusive of possible patent term extensions.

We hold an issued patent covering the combination therapy of cancer with TRC105 and VEGF inhibitors in Australia, and similar patents are pending in many other major jurisdictions worldwide, including the United States, Europe, Canada, Japan, China, South Korea, Eurasia, Israel and India. The expected expiration date for these method-of-use patents is 2030, exclusive of possible patent term extensions.

We have filed an international patent application on formulations of endoglin antibodies that is pending entry into the national phase. The expected expiration date for any patent that may issue from this application is 2033, exclusive of possible patent term extensions.

We have filed a provisional patent application directed to uses of endoglin antibodies. The expected expiration date for any patent that may arise from this application is 2035, exclusive of possible patent term extensions.

TRC102 Patent Coverage

We hold issued patents directed to combination of TRC102 and pemetrexed in the United States, Australia, Canada, Japan, South Korea, Mexico, Russia, Singapore, South Africa, Ukraine and the United Kingdom. We also have pending applications in other jurisdictions, including Brazil, China, Europe, Hong Kong, India, Israel and Norway. The expected expiration date for these patents is 2027, plus any extensions of term available under national law.

We hold an issued patent covering the formulation of TRC102 and temozolomide and methods of using the formulation in the United States. The expected expiration date for this patent is 2019, exclusive of possible patent term extensions. We also hold three issued patents covering methods of using TRC102 and other agents in the United States. It is expected that these three patents will also expire in 2019, exclusive of any possible patent term extensions.

We have filed a patent application on further combinations of TRC102 that is pending the United States and Europe. The expected expiration date for these patents is 2031, exclusive of possible patent term extensions.

Trade Secrets

In addition to patents, we rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive position. We seek to protect our proprietary information, in part, using confidentiality agreements with our commercial partners, collaborators, employees and consultants and invention assignment agreements with our employees. These agreements are designed to protect our proprietary information and, in the case of the invention assignment agreements, to grant us ownership of technologies that are developed through a relationship with a third party. These agreements may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our commercial partners, collaborators, employees and consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Government Regulation

The preclinical studies and clinical testing, manufacture, labeling, storage, record keeping, advertising, promotion, export, marketing and sales, among other things, of our product candidates and future products, are subject to extensive regulation by governmental authorities in the United States and other countries. In the United States, pharmaceutical products are regulated by the FDA under the Federal Food, Drug, and Cosmetic Act, of FFDCA, and other laws, including, in the case of biologics, the Public Health Service Act, or PHSA, in addition to the FDA's implementing regulations. We expect TRC105 to be regulated by the FDA as a biologic, which requires the submission of a BLA and approval by the FDA prior to being marketed in the United States. We expect our small molecule product candidate TRC102 to be regulated as a drug and subject to New Drug Application, or NDA, requirements, which are substantially similar to the BLA requirements discussed below. Manufacturers of our product candidates may also be subject to state regulation. Failure to comply with FDA requirements, both before and after product approval, may subject us or our partners, contract manufacturers and suppliers to administrative or judicial sanctions, including FDA refusal to approve applications, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, fines and/or criminal prosecution.

The steps required before a biologic may be approved for marketing of an indication in the United States generally include:

- completion of preclinical laboratory tests, animal studies and formulation studies conducted according to Good Laboratory Practices, or GLPs, and other applicable regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may commence;
- completion of adequate and well-controlled human clinical trials in accordance with Good Clinical Practices, or GCPs, to establish that the biological product is "safe, pure and potent," which is analogous to the safety and efficacy approval standard for a chemical drug product for its intended use;
- submission to the FDA of a BLA;

- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with applicable current Good Manufacturing Practice requirements, or cGMPs; and

- FDA review of the BLA and issuance of a biologics license which is the approval necessary to market a biologic therapeutic product.

Preclinical studies include laboratory evaluation of product chemistry, toxicity and formulation as well as animal studies to assess the potential safety and efficacy of the biologic candidate. Preclinical studies must be conducted in compliance with FDA regulations regarding GLPs. The results of the preclinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an IND. Some preclinical testing may continue even after the IND is submitted. In addition to including the results of the preclinical testing, the IND will also include a protocol detailing, among other things, the objectives of the clinical trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated if the first phase or phases of the clinical trial lends themselves to an efficacy determination. The IND will automatically become effective 30 days after receipt by the FDA, unless the FDA within the 30-day time period places the IND on clinical hold because of its concerns about the drug candidate or the conduct of the trial described in the clinical protocol included in the IND. The FDA can also place the IND on clinical hold at any time during drug development for safety concerns related to the investigational drug or to the class of products to which it belongs. The IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can proceed.

All clinical trials must be conducted under the supervision of one or more qualified principal investigators in accordance with GCPs. They must be conducted under protocols detailing the objectives of the applicable phase of the trial, dosing procedures, research subject selection and exclusion criteria and the safety and effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND, and progress reports detailing the status of the clinical trials must be submitted to the FDA annually. Sponsors also must timely report to the FDA serious and unexpected adverse reactions, any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator's brochure, or any findings from other studies or animal or in vitro testing that suggest a significant risk in humans exposed to the drug. An institutional review board, or IRB, at each institution participating in the clinical trial must review and approve the protocol before a clinical trial commences at that institution, approve the information regarding the trial and the consent form that must be provided to each research subject or the subject's legal representative, and monitor the study until completed.

Clinical trials are typically conducted in three sequential phases, but the phases may overlap and different trials may be initiated with the same drug candidate within the same phase of development in similar or differing patient populations. Phase 1 clinical trials may be conducted in a limited number of patients, but are usually conducted in healthy volunteer subjects. The drug candidate is initially tested for safety and, as appropriate, for absorption, metabolism, distribution, excretion, pharmacodynamics and pharmacokinetics.

Phase 2 usually involves trials in a larger, but still limited, patient population to evaluate preliminarily the efficacy of the drug candidate for specific, targeted indications to determine dosage tolerance and optimal dosage and to identify possible short-term adverse effects and safety risks.

Phase 3 trials are undertaken to further evaluate clinical efficacy of a specific endpoint and to test further for safety within an expanded patient population at geographically dispersed clinical trial sites. Phase 1, Phase 2, or Phase 3 testing might not be completed successfully within any specific time period, if at all, with respect to any of our product candidates. Results

from one trial are not necessarily predictive of results from later trials. Furthermore, the FDA or the sponsor may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug candidate has been associated with unexpected serious harm to patients.

The FFDCA permits the FDA and an IND sponsor to agree in writing on the design and size of clinical studies intended to form the primary basis of a claim of effectiveness in a BLA or NDA. This process is known as a Special Protocol Assessment, or SPA. An SPA agreement may not be changed by the sponsor or the FDA after the trial begins except with the written agreement of the sponsor and the FDA, or if the FDA determines that a substantial scientific issue essential to determining the safety or effectiveness of the drug was identified after the testing began. For certain types of protocols, including carcinogenicity protocols, stability protocols, and Phase 3 protocols for clinical trials that will form the primary basis of an efficacy claim, the FDA has agreed under its performance goals associated with the Prescription Drug User Fee Act, or PDUFA, to provide a written response on most protocols within 45 days of receipt. However, the FDA does not always meet its PDUFA goals, and additional FDA questions and resolution of issues leading up to an SPA agreement may result in the overall SPA process being much longer, if an agreement is reached at all.

The results of the preclinical studies and clinical trials, together with other detailed information, including information on the manufacture and composition of the product, are submitted to the FDA as part of a BLA requesting approval to market the drug candidate for a proposed indication. Under the PDUFA, as re-authorized most recently in July 2012, the fees payable to the FDA for reviewing a BLA, as well as annual fees for commercial manufacturing establishments and for approved products, can be substantial. The fees typically increase each year. Each BLA submitted to the FDA for approval is reviewed for administrative completeness and reviewability within 60 days following receipt by the FDA of the application. If the BLA is found complete, the FDA will file the BLA, triggering a full review of the application. The FDA may refuse to file any BLA that it deems incomplete or not properly reviewable at the time of submission. The FDA's established goal is to review 90% of priority BLA applications within six months after the application is accepted for filing and 90% of standard BLA applications within 10 months of the acceptance date, whereupon a review decision is to be made. The FDA, however, may not approve a drug candidate within these established goals and its review goals are subject to change from time to time. Further, the outcome of the review, even if generally favorable, may not be an actual approval but a "complete response letter" that describes additional work that must be done before the application can be approved. Before approving a BLA, the FDA may inspect the facility or facilities at which the product is manufactured and will not approve the product unless the facility complies with cGMPs. The FDA may deny approval of a BLA if applicable statutory or regulatory criteria are not satisfied, or may require additional testing or information, which can extend the review process. FDA approval of any application may include many delays or never be granted. If a product is approved, the approval may impose limitations on the uses for which the product may be marketed, may require that warning statements be included in the product labeling, may require that additional studies be conducted following approval as a condition of the approval, and may impose restrictions and conditions on product distribution, prescribing, or dispensing in the form of a Risk Evaluation and Mitigation Strategy, or REMS, or otherwise limit the scope of any approval. The FDA must approve a BLA supplement or a new BLA before a product may be marketed for other uses or before certain manufacturing or other changes may be made. Further post-marketing testing and surveillance to monitor the safety or efficacy of a product is required. Also, product approvals may be withdrawn if compliance with regulatory standards is not maintained or if safety or manufacturing problems occur following initial marketing. In addition, new government

requirements may be established that could delay or prevent regulatory approval of our product candidates under development.

As part of the recently-enacted Patient Protection and Affordable Care Act of 2010, as amended by the Health Care Education Reconciliation Act, under the subtitle of Biologics Price Competition and Innovation Act of 2009, or the BPCIA, a statutory pathway has been created for licensure, or approval, of biological products that are biosimilar to, and possibly interchangeable with, earlier biological products licensed under the PHSA. Also under the BPCIA, innovator manufacturers of original reference biological products are granted 12 years of exclusivity before biosimilars can be approved for marketing in the United States. The objectives of the BPCIA are conceptually similar to those of the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the "Hatch-Waxman Act," which established abbreviated pathways for the approval of drug products. The implementation of an abbreviated approval pathway for biological products is under the direction of the FDA and is currently being developed. In February 2012 and February 2013, the FDA issued several draft guidances for industry related to the BPCIA, addressing scientific, quality and procedural issues relevant to an abbreviated application for a biosimilar product. In June 2014, the FDA also released a draft guidance document intended to assist sponsors developing biological products and BLA holders in providing information and data to the FDA to determine the date of first licensure for a reference product as contemplated in the BPCIA. The approval of a biologic product biosimilar to one of our products could have a material adverse impact on our business as it may be significantly less costly to bring to market and may be priced significantly lower than our products.

Both before and after the FDA approves a product, the manufacturer and the holder or holders of the BLA for the product are subject to comprehensive regulatory oversight. For example, quality control and manufacturing procedures must conform, on an ongoing basis, to cGMP requirements, and the FDA periodically inspects manufacturing facilities to assess compliance with cGMPs. Accordingly, manufacturers must continue to spend time, money and effort to maintain cGMP compliance.

Other Healthcare Laws

Although we currently do not have any products on the market, we may be subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and foreign jurisdictions in which we conduct our business. Such laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, privacy and security and physician sunshine laws and regulations, many of which may become more applicable if our product candidates are approved and we begin commercialization. If our operations are found to be in violation of any of such laws or any other governmental regulations that apply to us, we may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, exclusion from participation in federal and state healthcare programs and imprisonment, any of which could adversely affect our ability to operate our business and our financial results.

Orphan Drug Act

The Orphan Drug Act provides incentives to manufacturers to develop and market drugs for rare diseases and conditions affecting fewer than 200,000 persons in the United States at the time of application for orphan drug designation. Orphan drug designation must be requested before submitting a BLA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. If a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the holder of the approval is entitled to a seven-year exclusive marketing

period in the United States for that product except in very limited circumstances. For example, a drug that the FDA considers to be clinically superior to, or different from, another approved orphan drug, even though for the same indication, may also obtain approval in the United States during the seven-year exclusive marketing period. In addition, holders of exclusivity for orphan drugs are expected to assure the availability of sufficient quantities of their orphan drugs to meet the needs of patients. Failure to do so could result in the withdrawal of marketing exclusivity for the drug.

Legislation similar to the Orphan Drug Act has been enacted outside the United States, including in the European Union and Japan. The orphan legislation in the European Union is available for therapies addressing chronic debilitating or life-threatening conditions that affect five or fewer out of 10,000 persons or are financially not viable to develop. The market exclusivity period is for ten years, although that period can be reduced to six years if, at the end of the fifth year, available evidence establishes that the product is sufficiently profitable not to justify maintenance of market exclusivity. The market exclusivity may be extended to 12 years if sponsors complete a pediatric investigation plan agreed upon with the relevant committee of the European Medicines Agency. Orphan legislation in Japan similarly provides for ten years of marketing exclusivity for drugs that are approved for the treatment of rare diseases and conditions.

Exclusivity

TRC105 and TRC205, as new biological products, benefit from the data exclusivity provisions legislated in the United States, the European Union and Japan. All three regions effectively provide a period of data exclusivity to innovator biologic products. U.S. legislation provides a 12-year period of data exclusivity from the date of first licensure of a reference biologic product. EU legislation provides a period of 10 to 11 years and Japan legislation provides a period of 8 years during which companies cannot be granted approval as generic drugs to approved biologic therapies. Protection from generic competition is also available for new chemical entities, including potentially the small molecule TRC102, in the United States for 5 years, in the European Union for 10 to 11 years and in Japan for 8 years.

Exclusivity in the European Union

The European Union has led the way among the International Conference on Harmonisation regions in establishing a regulatory framework for biosimilar products. The marketing authorization of generic medicinal products and similar biological medicinal products are governed in the European Union by Article 10(1) of Directive 2001/83/EC (2001). Unlike generic medicinal products, which only need to demonstrate bioequivalence to an authorized reference product, similar biological medicinal products are required to submit preclinical and clinical data, the type and quantity of which is dictated by class and product specific guidelines. In order to submit a marketing authorization for a similar biological medicinal product, the reference product must have been authorized for marketing in the European Union for at least 8 years. Biosimilars can only be authorized for use once the period of data exclusivity on the biological reference medicine has expired. In general, this means that the biological reference medicine must have been authorized for at least 10 years before a similar biological medicine can be made available by another company. The 10-year period can be extended to a maximum of 11 if, during the first 8 years of those 10 years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization are held to bring a significant clinical benefit in comparison to existing therapies.

Many EU countries have banned interchangeability of biosimilars with their reference products to ensure adequate characterization of the safety profile of the biosimilar and to enable comparison to that of reference product.

Exclusivity in Japan

In 2009, Japan's Ministry of Health, Labour and Welfare, or MHLW, and Pharmaceuticals and Medical Device Agency, or PMDA, issued the first Japanese guidance on biosimilars. The guideline (currently available only in Japanese), which shares common key features to EU guidelines, outlines the nonclinical, clinical and CMC requirements for biosimilar applications and describes the review process, naming conventions and application fees. To date, two biosimilar products have been approved in Japan. In June 2009, Novartis' biosimilar of somatropin became the first biosimilar approved in Japan. In January, 2010, Kissei's biosimilar of epoetin alfa was approved.

Japan does not grant exclusivity to pharmaceutical products; however, the country does have a Post Marketing Surveillance, or PMS, system that affects the timing of generic entry and, in effect, provides a period of market exclusivity to innovator products. This system allows safety data to be acquired for each product. A PMS period is set for most of new drug approvals, and until this period is over, generic companies cannot submit their applications for drug approvals as generic drugs. Recently, this period was extended to 8 years for all new drug approvals. Japan's regulations do not allow currently for interchangeability of biosimilars with their reference products.

Expedited Review and Approval

The FDA has various programs, including Fast Track, priority review, and accelerated approval, which are intended to expedite or simplify the process for reviewing drugs and biologics, and/or provide for the approval of a drug or biologic on the basis of a surrogate endpoint. Even if a drug qualifies for one or more of these programs, the FDA may later decide that the drug no longer meets the conditions for qualification or that the time period for FDA review or approval will be shortened. Generally, drugs that are eligible for these programs are those for serious or life-threatening conditions, those with the potential to address unmet medical needs and those that offer meaningful benefits over existing treatments. For example, Fast Track is a process designed to facilitate the development and expedite the review of drugs to treat serious or life-threatening diseases or conditions and fill unmet medical needs. Priority review is designed to give drugs that offer major advances in treatment or provide a treatment where no adequate therapy exists an initial review within six months as compared to a standard review time of ten months. Although Fast Track and priority review do not affect the standards for approval, the FDA will attempt to facilitate early and frequent meetings with a sponsor of a Fast Track designated drug and expedite review of the application for a drug designated for priority review. Accelerated approval provides for an earlier approval for a new drug that is intended to treat a serious or life-threatening disease or condition and that fills an unmet medical need based on a surrogate endpoint. A surrogate endpoint is a laboratory measurement or physical sign used as an indirect or substitute measurement representing a clinically meaningful outcome. As a condition of approval, the FDA may require that a sponsor of a drug candidate receiving accelerated approval perform post-marketing clinical trials to confirm the clinically meaning full outcome as predicted by the surrogate marker trial.

In June 2013, the FDA published a draft Guidance for Industry entitled, "Expedited Programs for Serious Conditions—Drugs and Biologics" which provides guidance on FDA programs that are intended to facilitate and expedite development and review of new drugs as well as threshold criteria generally applicable to concluding that a drug is a candidate for these expedited development and review programs. In addition to the Fast Track, accelerated

approval and priority review programs discussed above, the FDA also provided guidance on a new program for Breakthrough Therapy designation. A request for Breakthrough Therapy designation should be submitted concurrently with, or as an amendment to an IND. FDA has already granted this designation and approved Breakthrough Therapy designated drugs.

Pediatric Exclusivity and Pediatric Use

Under the Best Pharmaceuticals for Children Act, certain drugs may obtain an additional six months of exclusivity, if the sponsor submits information requested in writing by the FDA, or a Written Request, relating to the use of the active moiety of the drug in children. The FDA may not issue a Written Request for studies on unapproved or approved indications or where it determines that information relating to the use of a drug in a pediatric population, or part of the pediatric population, may not produce health benefits in that population.

We have not received a Written Request for such pediatric studies, although we may ask the FDA to issue a Written Request for such studies in the future. To receive the six-month pediatric market exclusivity, we would have to receive a Written Request from the FDA, conduct the requested studies in accordance with a written agreement with the FDA or, if there is no written agreement, in accordance with commonly accepted scientific principles, and submit reports of the studies. A Written Request may include studies for indications that are not currently in the labeling if the FDA determines that such information will benefit the public health. The FDA will accept the reports upon its determination that the studies were conducted in accordance with and are responsive to the original Written Request or commonly accepted scientific principles, as appropriate, and that the reports comply with the FDA's filing requirements.

In addition, the Pediatric Research Equity Act, or PREA, requires a sponsor to conduct pediatric studies for most drugs and biologicals, for a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration. Under PREA, original NDAs, BLAs and supplements thereto must contain a pediatric assessment unless the sponsor has received a deferral or waiver. The required assessment must include the evaluation of the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The sponsor or FDA may request a deferral of pediatric studies for some or all of the pediatric subpopulations. A deferral may be granted for several reasons, including a finding that the drug or biologic is ready for approval for use in adults before pediatric studies are complete or that additional safety or effectiveness data needs to be collected before the pediatric studies begin. The FDA must send a non-compliance letter to any sponsor that fails to submit the required assessment, keep a deferral current or fails to submit a request for approval of a pediatric formulation.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we obtain regulatory approval. In both domestic and foreign markets, sales and reimbursement of any approved products will depend, in part, on the extent to which third-party payors, such as government health programs, commercial insurance and managed healthcare organizations provide coverage, and establish adequate reimbursement levels for, such products. Third-party payors are increasingly challenging the prices charged for medical products and services and imposing controls to manage costs. Third-party payors may limit coverage to specific products on an approved list, or also known as a formulary, which might not include all of the FDA-approved products for a particular indication. Additionally, we may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness of our products. If third-party payors do not consider our products to be cost-effective compared

to other therapies, the payors may not cover our products after approved as a benefit under their plans or, if they do, the level of reimbursement may not be sufficient to allow us to sell our products on a profitable basis.

The containment of healthcare costs also has become a priority of federal and state governments and the prices of drugs have been a focus in this effort. Governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results.

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

Healthcare Reform

There have been a number of federal and state proposals during the last few years regarding the pricing of pharmaceutical and biological products, government control and other changes to the healthcare system of the United States. It is uncertain what legislative proposals will be adopted or what actions federal, state or private payors for medical goods and services may take in response to any healthcare reform proposals or legislation. We cannot predict the effect medical or healthcare reforms may have on our business, and no assurance can be given that any such reforms will not have a material adverse effect.

By way of example, the United States and state governments continue to propose and pass legislation designed to reduce the cost of healthcare. In March 2010, the United States Congress enacted the Affordable Care Act, which, among other things, includes changes to the coverage and payment for drug products under government health care programs. The Affordable Care Act:

- expanded manufacturers' rebate liability under the Medicaid Drug Rebate Program by increasing the minimum rebate for both branded and generic drugs and revising the definition of "average manufacturer price," or AMP, for calculating and reporting Medicaid drug rebates on outpatient prescription drug prices;

- 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;

- extended Medicaid drug rebates, previously due only on fee-for-service utilization, to Medicaid managed care utilization, and created an alternate rebate formula for new

formulations of certain existing products that is intended to increase the amount of rebates due on those drugs;

- expanded the types of entities eligible for the 340B drug discount program that mandates discounts to certain hospitals, community centers and other qualifying providers. With the exception of children's hospitals, these newly eligible entities will not be eligible to receive discounted 340B pricing on orphan drugs. In addition, because 340B pricing is determined based on AMP and Medicaid drug rebate data, the revisions to the Medicaid rebate formula and AMP definition described above could cause the required 340B discounts to increase; and

- established the Medicare Part D coverage gap discount program by requiring manufacturers to provide a 50% point-of-sale-discount off the negotiated price of applicable brand drugs to eligible beneficiaries during their coverage gap period as a condition for the manufacturers' outpatient drugs to be covered under Medicare Part D.

Adoption of other new legislation at the federal or state level could further limit reimbursement for pharmaceuticals, including our product candidates if approved.

Foreign Regulation

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

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

Under European Union regulatory systems, a company may submit marketing authorization applications either under a centralized or decentralized procedure. The centralized procedure is compulsory for medicinal products produced by biotechnology or those medicinal products containing new active substances for specific indications such as the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, viral diseases and designated orphan medicines, and optional for other medicines which are highly innovative. Under the centralized procedure, a marketing application is submitted to the European Medicines Agency where it will be evaluated by the Committee for Medicinal Products for Human Use and a favorable opinion typically results in the grant by the European Commission of a single marketing authorization that is valid for all European Union member states within 67 days of receipt of the opinion. The initial marketing authorization is valid for five years, but once renewed is usually valid for an unlimited period. The decentralized procedure provides for approval by one or more "concerned" member states based on an assessment of an application performed by one member state, known as the "reference" member state. Under the decentralized approval procedure, an applicant submits an application, or dossier, and related materials to the reference member state and concerned member states. The reference member state prepares a

draft assessment and drafts of the related materials within 120 days after receipt of a valid application. Within 90 days of receiving the reference member state's assessment report, each concerned member state must decide whether to approve the assessment report and related materials. If a member state does not recognize the marketing authorization, the disputed points are eventually referred to the European Commission, whose decision is binding on all member states.

As in the United States, we may apply for designation of a product as an orphan drug for the treatment of a specific indication in the European Union before the application for marketing authorization is made. Orphan drugs in Europe enjoy economic and marketing benefits, including up to 10 years of market exclusivity for the approved indication unless another applicant can show that its product is safer, more effective or otherwise clinically superior to the orphan designated product.

Additional Regulation

We are also subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other present and potential federal, state or local regulations. These and other laws govern our use, handling and disposal of various biological and chemical substances used in, and waste generated by our operations. Our research and development involves the controlled use of hazardous materials, chemicals and viruses. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our resources.

Employees

As of November 30, 2014, we had 13 full-time employees and one part-time employee, eleven of whom are involved in research, development or manufacturing, and two of whom have Ph.D. or M.D. degrees. We have no collective bargaining agreements with our employees and we have not experienced any work stoppages. We consider our relations with our employees to be good.

Facilities

Our principal executive offices are located at 8910 University Center Lane, Suite 700, San Diego, California 92122, in a facility we lease encompassing 5,034 square feet of office space. Our lease expires in April 2017. We believe our facilities are adequate for our current needs and that suitable additional substitute space would be available if needed.

Legal Proceedings

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

MANAGEMENT

Executive Officers, Key Employees and Directors

The following table sets forth certain information regarding our current executive officers, key employees and directors as of November 30, 2014:

Name	Age	Position(s)
Executive Officers		
Charles P. Theuer, M.D., Ph.D.	51	President, Chief Executive Officer and Director
H Casey Logan, M.B.A.	42	Chief Business Officer
Patricia Bitar, CPA	55	Chief Financial Officer
Key Employees		
Bonne Adams, M.B.A.	38	Senior Vice President of Clinical Operations
Sharon Real, Ph.D.	50	Senior Vice President of Product Development
Non-Employee Directors		
Kenji Harada, Ph.D.(2)	54	Director
Hironori Hozoji(1)(3)	53	Director
William R. LaRue(1)(2)	63	Director
Martin A. Mattingly, Pharm.D.(3)	57	Director
Alfred Scheidegger, Ph.D.(4)	57	Director
J. Rainer Twiford, J.D., Ph.D.(1)	62	Director
Paul Walker(2)(3)	40	Director

(1) Member of the compensation committee.
(2) Member of the audit committee.
(3) Member of the nominating and corporate governance committee.
(4) Dr. Scheidegger will resign from our board of directors contingent upon and effective immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

Executive Officers

Charles P. Theuer, M.D., Ph.D. Dr. Theuer has served as our President, Chief Executive Officer and a member of our board of directors since July 2006. From 2004 to 2006, Dr. Theuer was the Chief Medical Officer and Vice President of Clinical Development at TargeGen, Inc., a biotechnology company. Prior to joining TargeGen, Inc., Dr. Theuer was Director of Clinical Oncology at Pfizer, Inc., a pharmaceutical corporation, from 2003 to 2004. Dr. Theuer has also held senior positions at IDEC Pharmaceuticals Corp. from 2002 to 2003 and at the National Cancer Institute from 1991 to 1993. In addition, he has held academic positions at the University of California, Irvine, where he was Assistant Professor in the Division of Surgical Oncology and Department of Medicine. Dr. Theuer received a B.S. from the Massachusetts Institute of Technology, an M.D. from the University of California, San Francisco, and a Ph.D. from the University of California, Irvine. He completed a general surgery residency program at Harbor-UCLA Medical Center and was board certified in general surgery in 1997.

Our board of directors believes Dr. Theuer's expertise and experience in the biotechnology industry, his medical training and his experience with our company provide him with the qualifications and skills to serve on our board of directors.

H Casey Logan, M.B.A. Mr. Logan has served as our Chief Business Officer since February 2013. Prior to joining us, Mr. Logan was the Senior Vice President, Corporate Development at RuiYi, Inc. (formerly Anaphore Inc.), a biotechnology company, from January 2011 to February 2013. From 2007 to December 2010, Mr. Logan served as the Vice President, Corporate Development & Strategic Planning at Anadys Pharmaceuticals, Inc. (acquired by Roche), a

biopharmaceutical company. From 2001 to 2007, he was with Eli Lilly and Company, a pharmaceutical company, in Indianapolis, Indiana, in the corporate business development group. Prior to joining Eli Lilly and Company, Mr. Logan was an officer in the U.S. Naval Nuclear Propulsion Program from 1993 to 1999. Mr. Logan received an M.B.A. from the Kellogg School of Management at Northwestern University and a B.S.E. in chemical engineering from the University of Michigan.

Patricia Bitar, CPA. Ms. Bitar joined us as our Chief Financial Officer in September 2014. Prior to joining us, Ms. Bitar served in roles of increasing responsibility at NuVasive, Inc., a medical device company, serving most recently as Vice President and Corporate Controller from April 2011 to April 2014 and as the Senior Director of Financial Reporting from November 2009 to March 2011. From 2008 to October 2009 and during various periods of 1998 to 2006, Ms. Bitar provided independent financial consulting for a variety of companies, primarily in the biotechnology and electronics industries. From 2006 to 2008, Ms. Bitar served as the Corporate Controller at Orexigen Therapeutics, Inc., a biopharmaceutical company, where she was also the Senior Director of Financial Reporting from 2007 to 2008 and the Director of Financial Reporting from 2006 to 2007. From 1984 to 1991 and 1994 to 1998, Ms. Bitar worked in the Audit Department at Ernst & Young, where from 1988, she served as a Senior Audit Manager, working primarily with clients in the technology and biotechnology industries. Ms. Bitar is a certified public accountant and received an M.A.I.S. from the University of West Florida and a B.S. in Business Administration (Accounting) from Old Dominion University.

Key Employees

Bonne Adams, M.B.A. Ms. Adams joined us as our Vice President of Clinical Operations in August 2006 and was promoted to Senior Vice President of Clinical Operations in July 2014. Prior to joining us, Ms. Adams was a Manager of Clinical Operations at Pfizer, Inc., a pharmaceutical corporation, from 2004 to 2006 and at Biogen Idec, Inc., a biotechnology company, from 2002 to 2004. Ms. Adams has managed both early and late-stage oncology studies of small molecules as well as biologics in the areas of lymphoma, lung, colorectal, ovarian, kidney, sarcoma and breast cancers. From 2000 to 2002, she managed non-oncology programs at Quintiles Inc., a service provider for biopharmaceutical and health sciences companies, including studies in the areas of allergy and pulmonary disease. Ms. Adams received a B.A. in Kinesiology and Biology from the University of Colorado and an M.B.A. in Technology Management from The University of Phoenix.

Sharon Real, Ph.D. Dr. Real joined us as our Vice President of Product Development in October 2006 and was promoted to Senior Vice President of Product Development in July 2014. Prior to joining us, Dr. Real served in roles of increasing responsibility at Pfizer, Inc., a pharmaceutical corporation, from 2000 to 2006, culminating in the position of Director of Regulatory Chemistry, Manufacturing and Controls. Before that, Dr. Real was Manager, Technical Operations at Ligand Pharmaceuticals Incorporated, a pharmaceutical company, from 1999 to 2000. From 1994 to 1999, Dr. Real served in various positions at Agouron Pharmaceuticals, Inc., a biotechnology company, most recently as Manager of Regulatory Chemistry, Manufacturing and Controls. From 1991 to 1994 she was in Chemical Process Research at Bristol-Myers Squibb Co., a global biopharmaceutical company. Dr. Real received a B.S. in Chemistry from Stanford University and a Ph.D. in Organic Chemistry from the University of California, Los Angeles.

Non-Employee Directors

Kenji Harada, Ph.D. Dr. Harada has served as a member of our board of directors since March 2011. He has served as a Senior Manager and Principal of JAFCO Co. Ltd., a Tokyo-based venture capital and private equity firm, since 2004. Prior to joining JAFCO Co. Ltd., Dr. Harada

held positions of increasing responsibility within Toray Industries, Inc., an integrated chemical industry group, from 1990 to 2004, most recently as manager for collaborative research agreements with a number of leading Japanese academic institutions and biotechnology companies. From May 2012 to December 2013, Dr. Harada served as a member of the board of directors of Eleven Biotherapeutics, Inc., a biopharmaceutical company. Dr. Harada received a B.S., an M.S. and a Ph.D. in pharmacology from the University of Tokyo.

Our board of directors believes that Dr. Harada's extensive experience in the life sciences and venture capital industries and his educational background provide him with the qualifications and skills to serve on our board of directors.

Hironori Hozoji. Mr. Hozoji has served as a member of our board of directors since March 2011. He has served as an Investment Officer at JAFCO Life Science Investment, a private investment firm and a subsidiary of JAFCO Co., Ltd., a Tokyo-based venture capital and private equity firm, since July 2002. Before that, Mr. Hozoji was Senior Manager of the Life Science Investment Team at JAFCO Co., Ltd. from April 2001 to June 2002. Mr. Hozoji served on the board of directors of Eagle Pharmaceuticals, Inc., a specialty pharmaceutical company, from April 2013 to October 2013; KYTHERA Biopharmaceuticals, Inc., a clinical-stage biopharmaceutical company, from May 2008 to December 2012; and Affymax, Inc., a biopharmaceutical company, from July 2005 to February 2007. Mr. Hozoji is also a former board member of Agensys, Inc., Artisan Pharma, Inc., LigoCyte Pharmaceuticals, Inc. and Singulex Inc. Mr. Hozoji received a B.A. from Meiji University's School of Business Administration in Tokyo, Japan.

Our board of directors believes that Mr. Hozoji's extensive experience in the life sciences and venture capital industries and his experience as a director of other public and private companies provide him with the qualifications and skills to serve on our board of directors.

William R. LaRue. Mr. LaRue has served as a member of our board of directors since July 2014. He served as the Chief Financial Officer, Senior Vice President and Treasurer at Cadence Pharmaceuticals, Inc., a biopharmaceutical company, from June 2006 until its acquisition by Mallinckrodt plc in March 2014, and from April 2007 to March 2014, he served as the Assistant Secretary at Cadence. Prior to joining Cadence, Mr. LaRue was the Senior Vice President and Chief Financial Officer of Micromet, Inc. (formerly CancerVax Corporation), a biotechnology company, from 2001 to 2006. From 2000 to 2001, Mr. LaRue served as the Executive Vice President and Chief Financial Officer of eHelp Corporation, a provider of user assistance software. Previously, he was the Vice President and Treasurer of Safeskin Corporation, a medical device company, from 1997 to 2000 and the Treasurer of GDE Systems, Inc., a high technology electronic systems company from 1993 to 1997. Mr. LaRue currently serves on the board of directors of Neurelis, Inc., a specialty pharmaceutical company, a position he has held since October 2008. Mr. LaRue received a B.S. in business administration and an M.B.A. from the University of Southern California.

Our board of directors believes that Mr. LaRue's extensive experience in finance, his experience as an executive officer of a public company in our industry and his educational background provide him with the qualifications and skills to serve on our board of directors.

Martin A. Mattingly, Pharm.D. Dr. Mattingly has served as a member of our board of directors since December 2014. Dr. Mattingly has been a member of Tech Coast Angels, an investment group, since August 2012. Previously, Dr. Mattingly served as the Chief Executive Officer of Trimeris, Inc., a biopharmaceutical company, from November 2007 until January 2012 following its merger with Synageva BioPharma Corp in November 2011. He also served on the board of directors of Trimeris, Inc. from November 2007 until November 2011. He has been a director of OncoGenex Pharmaceuticals, Inc., a biopharmaceutical company, since June 2010.

From 2005 to 2007, Dr. Mattingly served as President and Chief Executive Officer of Ambrx, Inc., a biopharmaceutical company. From 2003 to 2005, Dr. Mattingly served as Executive Vice President of CancerVax, Inc., a pharmaceutical company, and as Chief Operating Officer from June 2005 to September 2005. From 1996 to 2003, Dr. Mattingly provided senior leadership in various management positions at Agouron Pharmaceuticals, Inc. and Pfizer, Inc., a pharmaceutical company. From 1983 to 1996, Dr. Mattingly held various positions in oncology marketing and sales management at Eli Lilly and Company, a biopharmaceutical company. Dr. Mattingly received a Doctor of Pharmacy degree from the University of Kentucky.

Our board of directors believes that Dr. Mattingly's experience in the biotechnology and pharmaceuticals industries, his educational background and his experience as a public company director provide him with the qualifications and skills to serve on our board of directors.

Alfred Scheidegger, Ph.D. Dr. Scheidegger has served as a member of our board of directors since June 2012. Dr. Scheidegger has served as the Founding Partner and Chief Executive Officer of Nextech Invest Ltd. (formerly Nextech Venture Ltd.), an investment advisor and management company he founded in 1998, since May 1998, and the Chairman of Nextech Holding AG since December 2009. He has been a member of the board of directors of Palyon Medical Corporation, a medical device company, since July 2013 and was been an observer of the Palyon board from May 2009 to July 2013. Dr. Scheidegger has served as a member of the board of directors of Dottikon ES Holding AG since July 2011. In addition, Dr. Scheidegger has been an observer of the board of directors of MolecularMD Corp., a molecular diagnostics company, since June 2012. Before founding Nextech Venture Ltd., Dr. Scheidegger was a managing director and member of the board of the Swiss Federal Institute of Technology (ETH) Zurich, Switzerland from 1995 to 1998. Prior to that, he served as the first managing director of the Swiss National Supercomputing Centre (CSCS) from 1992 to 1995, and managed an international drug-discovery project at Ciba-Geigy AG (today Novartis AG), Japan from 1988 to 1991. He is a former member or observer of the boards of directors of Agensys, Inc., Ganymed Pharmaceuticals AG, The Genetics Company, Inc., MacroGenics, Inc., TetraLogic Pharmaceuticals Corp., Webwasher AG and Xelector Ltd. Dr. Scheidegger received a Ph.D. in microbiology from the University of Basel, Switzerland, and has completed a post-doctorate research fellowship in enzymology at the University of Kyoto, Japan, and an executive training program at Harvard Business School.

Our board of directors believes that Dr. Scheidegger's expertise and experience in the life sciences industry and his educational background provide him with the qualifications and skills to serve on our board of directors. Dr. Scheidegger will resign from our board of directors contingent upon and effective immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

J. Rainer Twiford, J.D., Ph.D. Dr. Twiford has served as a member of our board of directors since September 2008. Dr. Twiford has been President of Brookline Investments, Inc. (formerly Capital Strategies Advisors, Inc.), an investment advisory company he founded in 1994, since 1999. Dr. Twiford has been a member of the board of directors of Integrated Photonics, Inc., an optical device company, since November 1999. Prior to founding Brookline Partners, Dr. Twiford was a partner of Trammell Crow Company, a real estate development and investment company, from 1987 to 1991. From June 2007 to July 2013, Dr. Twiford was a member of the board of directors of Care Investment Trust Inc. (now Tiptree Financial Inc.), a real estate investment company. He also served as the Chairman of the Compensation, Nominating and Governance Committee of Care Investment Trust Inc. from September 2011 to July 2013. In addition, Dr. Twiford previously served on the board of a children's behavioral health company. Dr. Twiford received a B.A. and a Ph.D. from the University of Mississippi, an M.A. from the University of Akron and a J.D. from the University of Virginia.

Our board of directors believes that Dr. Twiford's extensive experience in finance, his experience as a public company director and his educational background provide him with the qualifications and skills to serve on our board of directors.

Paul Walker. Mr. Walker has served on our board of directors since September 2014. Mr. Walker has been a partner of New Enterprise Associates, an investment firm focused on venture capital and growth equity investments, since April 2008. From January 2001 to March 2008, Mr. Walker worked at MPM Capital, a life sciences venture capital firm, as a general partner with the MPM BioEquities Fund. From July 1996 to December 2000, Mr. Walker served as a portfolio manager at Franklin Resources, Inc., a global investment management organization known as Franklin Templeton Investments. Mr. Walker was a member of the board of directors of TESARO, Inc., an oncology-focused biopharmaceutical company, from May 2010 to May 2014. Mr. Walker received a B.S. in biochemistry and cell biology from the University of California at San Diego and is a Chartered Financial Analyst.

Our board of directors believes that Mr. Walker's experience in the life sciences and venture capital industries, his educational background and his experience as a public company director provide him with the qualifications and skills to serve on our board of directors.

Scientific Advisory Board

We have established a scientific advisory board. We regularly seek advice and input from these experienced scientific leaders on matters related to our research and development programs. The members of our scientific advisory board consist of experts across a range of key disciplines relevant to our programs and science. We intend to continue to leverage the broad expertise of our advisors by seeking their counsel on important topics relating to our research and development programs. The members of our scientific advisory board have entered into consulting agreements with us covering their respective confidentiality, non-disclosure and proprietary rights matters, and one member owns shares of our common stock. All of the scientific advisors are employed by or have consulting arrangements with other entities and devote only a small portion of their time to us.

Our current advisors are:

Name	Title
Charles L. Sawyers, M.D.	Chair, Human Biology and Pathogenesis Program, Memorial Sloan Kettering Cancer Center, New York, New York
William G. Kaelin, Jr., M.D.	Professor of Medicine, Dana Farber Cancer Institute and Brigham and Women's Hospital, Harvard Medical School, Boston, Massachusetts
Stanton L. Gerson, M.D.	Director of the Case Comprehensive Cancer Center, Cleveland, Ohio

Board Composition

Our business and affairs are organized under the direction of our board of directors, which currently consists of eight members. The primary responsibilities of our board of directors are to provide oversight, strategic guidance, counseling and direction to our management. Our board of directors meets on a regular basis and additionally as required.

Six of our eight current directors were elected to serve on our board of directors pursuant to an amended and restated voting agreement, dated September 19, 2014, by and among us and certain of our stockholders. Pursuant to the voting agreement, Dr. Harada, Mr. Hozoji,

Mr. LaRue, Dr. Scheidegger and Mr. Walker were selected to serve on our board of directors as representatives of our preferred stockholders, as designated by JAFCO Super V3 Investment Limited Partnership with respect to Dr. Harada and Mr. Hozoji; by the holders of a majority of our outstanding preferred stock with respect to Mr. LaRue; by ONC Partners, L.P. or Nextech III Oncology, LPCI with respect to Dr. Scheidegger and by New Enterprise Associates 14, L.P. with respect to Mr. Walker. Dr. Theuer was selected to serve on our board of directors as the director then serving as our chief executive officer. The amended and restated voting agreement will terminate in connection with the closing of this offering, and members previously elected to our board of directors pursuant to the amended and restated voting agreement (other than Dr. Scheidegger, who will resign from our board of directors contingent upon and effective immediately prior to the effectiveness of the registration statement of which this prospectus is a part) will continue to serve as a director until his successor is duly elected and qualified.

Our board of directors has determined that all of our directors, except Dr. Theuer, are independent directors, as defined by Rule 5605(a)(2) of the NASDAQ Listing Rules.

In accordance with the terms of our amended and restated certificate of incorporation and bylaws, which will be effective immediately prior to the closing of this offering, our board of directors will be divided into three classes, class I, class II and class III, with members of each class serving staggered three-year terms.

Effective immediately prior to the closing of this offering, our board of directors will be comprised of the following classes:

- Class I, which will consist of Dr. Harada and Mr. Hozoji, whose terms will expire at our annual meeting of stockholders to be held in 2016;
- Class II, which will consist of Dr. Mattingly and Dr. Twiford, and whose terms will expire at our annual meeting of stockholders to be held in 2017; and
- Class III, which will consist of Mr. LaRue, Dr. Theuer and Mr. Walker, and whose terms will expire at our annual meeting of stockholders to be held in 2018.

At each annual meeting of stockholders to be held after the initial classification, the successors to directors whose terms then expire will serve until the third annual meeting following their election and until their successors are duly elected and qualified. The authorized size of our board of directors is currently eight members. The authorized number of directors may be changed only by resolution by a majority of the board of directors. This classification of the board of directors may have the effect of delaying or preventing changes in our control or management. Our directors may be removed for cause by the affirmative vote of the holders of at least $66^{2}/_{3}$% of our voting stock.

Board Leadership Structure

Our board of directors is currently chaired by . As a general policy, our board of directors believes that separation of the positions of Chairman and Chief Executive Officer reinforces the independence of the board of directors from management, creates an environment that encourages objective oversight of management's performance and enhances the effectiveness of the board of directors as a whole. As such, Dr. Theuer serves as our President and Chief Executive Officer, while serves as our Chairman of the board of directors but is not an officer. We expect and intend the positions of Chairman of the board of directors and Chief Executive Officer to continue to be held by two individuals in the future.

Role of the Board in Risk Oversight

One of the key functions of our board of directors is informed oversight of our risk management process. Our board of directors does not have a standing risk management committee, but rather administers this oversight function directly through the board of directors as a whole, as well as through various standing committees of our board of directors that address risks inherent in their respective areas of oversight. In particular, our board of directors is responsible for monitoring and assessing strategic risk exposure and our audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also monitors compliance with legal and regulatory requirements. Our nominating and corporate governance committee monitors the effectiveness of our corporate governance practices, including whether they are successful in preventing illegal or improper liability-creating conduct. Our compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee.

Audit Committee

Our audit committee consists of Mr. LaRue, Dr. Harada and Mr. Walker. Our board of directors has determined that each of the members of this committee satisfies the NASDAQ Stock Market independence requirements. Each member of our audit committee can read and understand fundamental financial statements in accordance with NASDAQ audit committee requirements. In arriving at this determination, the board has examined each audit committee member's scope of experience and the nature of their prior and/or current employment.

Mr. LaRue serves as the chair of our audit committee. Our board of directors has determined that Mr. LaRue qualifies as an audit committee financial expert within the meaning of SEC regulations and meets the financial sophistication requirements of the NASDAQ Listing Rules. In making this determination, our board has considered Mr. LaRue formal education and previous and current experience in financial roles. Both our independent registered public accounting firm and management periodically meet privately with our audit committee.

The functions of this committee include, among other things:

- evaluating the performance, independence and qualifications of our independent auditors and determining whether to retain our existing independent auditors or engage new independent auditors;
- reviewing and approving the engagement of our independent auditors to perform audit services and any permissible non-audit services;
- monitoring the rotation of partners of our independent auditors on our engagement team as required by law;
- prior to engagement of any independent auditor, and at least annually thereafter, reviewing relationships that may reasonably be thought to bear on their independence, and assessing and otherwise taking the appropriate action to oversee the independence of our independent auditor;
- reviewing our annual and quarterly financial statements and reports, including the disclosures contained under the caption "Management's Discussion and Analysis of

Financial Condition and Results of Operations," and discussing the statements and reports with our independent auditors and management;

- reviewing with our independent auditors and management significant issues that arise regarding accounting principles and financial statement presentation and matters concerning the scope, adequacy and effectiveness of our financial controls;
- reviewing with management and our auditors any earnings announcements and other public announcements regarding material developments;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding financial controls, accounting or auditing matters and other matters;
- preparing the report that the SEC requires in our annual proxy statement;
- reviewing and providing oversight of any related-person transactions in accordance with our related person transaction policy and reviewing and monitoring compliance with legal and regulatory responsibilities, including our code of business conduct and ethics;
- reviewing our major financial risk exposures, including the guidelines and policies to govern the process by which risk assessment and risk management is implemented;
- reviewing on a periodic basis our investment policy; and
- reviewing and evaluating on an annual basis the performance of the audit committee and the audit committee charter.

We believe that the composition and functioning of our audit committee complies with all applicable requirements of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, and all applicable SEC and NASDAQ rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

Compensation Committee

Our compensation committee consists of Dr. Twiford, Mr. Hozoji and Mr. LaRue. Dr. Twiford serves as the chair of our compensation committee. Our board of directors has determined that each of the members of our compensation committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, or the Exchange Act, is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, and satisfies the NASDAQ Stock Market independence requirements. The functions of this committee include, among other things:

- reviewing, modifying and approving (or if it deems appropriate, making recommendations to the full board of directors regarding) our overall compensation strategy and policies;
- making recommendations to the full board of directors regarding the compensation and other terms of employment of our executive officers;
- reviewing and making recommendations to the full board of directors regarding performance goals and objectives relevant to the compensation of our executive officers and assessing their performance against these goals and objectives;
- reviewing and approving (or if it deems it appropriate, making recommendations to the full board of directors regarding) the equity incentive plans, compensation plans and similar programs advisable for us, as well as modifying, amending or terminating existing plans and programs;

- evaluating risks associated with our compensation policies and practices and assessing whether risks arising from our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on us;
- reviewing and making recommendations to the full board of directors regarding the type and amount of compensation to be paid or awarded to our non-employee board members;
- establishing policies with respect to votes by our stockholders to approve executive compensation to the extent required by Section 14A of the Exchange Act and, if applicable, determining our recommendations regarding the frequency of advisory votes on executive compensation;
- reviewing and assessing the independence of compensation consultants, legal counsel and other advisors as required by Section 10C of the Exchange Act;
- administering our equity incentive plans;
- establishing policies with respect to equity compensation arrangements;
- reviewing the competitiveness of our executive compensation programs and evaluating the effectiveness of our compensation policy and strategy in achieving expected benefits to us;
- reviewing and making recommendations to the full board of directors regarding the terms of any employment agreements, severance arrangements, change in control protections and any other compensatory arrangements for our executive officers;
- reviewing with management and approving our disclosures under the caption "Compensation Discussion and Analysis" in our periodic reports or proxy statements to be filed with the SEC, to the extent such caption is included in any such report or proxy statement;
- preparing the report that the SEC requires in our annual proxy statement; and
- reviewing and evaluating on an annual basis the performance of the compensation committee and the compensation committee charter.

We believe that the composition and functioning of our compensation committee complies with all applicable requirements of the Sarbanes-Oxley Act, and all applicable SEC and NASDAQ rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Mr. Walker, Mr. Hozoji, and Dr. Mattingly. Our board of directors has determined that each of the members of this committee satisfies the NASDAQ Stock Market independence requirements. Mr. Walker serves as the chair of our nominating and corporate governance committee. The functions of this committee include, among other things:

- identifying, reviewing and evaluating candidates to serve on our board of directors;
- determining the minimum qualifications for service on our board of directors;
- evaluating director performance on the board and applicable committees of the board and determining whether continued service on our board is appropriate;
- evaluating, nominating and recommending individuals for membership on our board of directors;

- evaluating nominations by stockholders of candidates for election to our board of directors;
- considering and assessing the independence of members of our board of directors;
- developing a set of corporate governance policies and principles and recommending to our board of directors any changes to such policies and principles;
- considering questions of possible conflicts of interest of directors as such questions arise; and
- reviewing and evaluating on an annual basis the performance of the nominating and corporate governance committee and the nominating and corporate governance committee charter.

We believe that the composition and functioning of our nominating and corporate governance committee complies with all applicable requirements of the Sarbanes-Oxley Act, and all applicable SEC and NASDAQ rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

Compensation Committee Interlocks and Insider Participation

We have established a compensation committee which has and will make decisions relating to compensation of our executive officers. Our board of directors has appointed Dr. Twiford, Mr. Hozoji, and Mr. LaRue to serve on the compensation committee. None of these individuals has ever been an executive officer or employee of ours. None of our executive officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Limitation on Liability and Indemnification of Directors and Officers

Our amended and restated certificate of incorporation, which will be effective immediately prior to the closing of this offering, limit our directors' liability to the fullest extent permitted under Delaware corporate law. Delaware corporate law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability:

- for any transaction from which the director derives an improper personal benefit;
- for any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law (unlawful payment of dividends or redemption of shares); or
- for any breach of a director's duty of loyalty to the corporation or its stockholders.

If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Delaware law and our amended and restated bylaws provide that we will, in certain situations, indemnify our directors and officers and may indemnify other employees and other agents, to the fullest extent permitted by law. Any indemnified person is also entitled, subject to certain limitations, to payment or reimbursement of reasonable expenses (including attorneys' fees and disbursements) in advance of the final disposition of the proceeding.

In addition, we have entered, and intend to continue to enter, into separate indemnification agreements with our directors and officers. These agreements, among other things, require us to indemnify our directors and officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or officer in any action or proceeding arising out of their services as one of our directors or officers or any other company or enterprise to which the person provides services at our request.

We maintain a directors' and officers' insurance policy pursuant to which our directors and officers are insured against liability for actions taken in their capacities as directors and officers. We believe that these provisions in our amended and restated certificate of incorporation and amended bylaws and these indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or control persons, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

EXECUTIVE AND DIRECTOR COMPENSATION

Our named executive officers for the year ended December 31, 2014, which consist of our principal executive officer and our only other executive officers as of December 31, 2014, are:

- Charles P. Theuer, Ph.D., our President and Chief Executive Officer; and
- H Casey Logan, M.B.A., our Chief Business Officer.
- Patricia Bitar, CPA, our Chief Financial Officer.

Summary Compensation Table

Name and principal position	Year	Salary ($)	Option awards ($)[1]	Non-equity incentive plan compensation ($)[2]	All other compensation ($)[3]	Total ($)
Charles P. Theuer, M.D., Ph.D.	2014	395,000	636,596	—	10,400	1,041,996
President and Chief Executive Officer	2013	310,000	96,763	74,400	11,250	492,413
H Casey Logan, M.B.A.[4]	2014	251,540	82,006	—	9,422	342,968
Chief Business Officer	2013	206,500	116,678	32,776	7,867	363,821
Patricia Bitar, CPA[5]	2014	69,231	280,937	—	2,500	352,668
Chief Financial Officer						

(1) In accordance with SEC rules, this column reflects the aggregate grant date fair value of the option awards granted during 2013 computed in accordance with FASB ASC Topic 718 for stock-based compensation transactions (ASC 718). Assumptions used in the calculation of these amounts are included in Note 6 to our financial statements included elsewhere in this prospectus. These amounts do not reflect the actual economic value that will be realized by the named executive officer upon the vesting of the stock options, the exercise of the stock options, or the sale of the common stock underlying the stock options.

(2) Amounts shown represent annual performance-based bonuses earned for the respective fiscal year. As of the date of this prospectus, the amount of the bonuses earned for 2014 has not yet been determined. We expect to determine and pay such bonuses on or before March 31, 2015. For more information, see below under "—Annual Performance-Based Bonus Opportunity."

(3) Amounts shown represent 401(k) plan matching contributions and $1,050 for reimbursement of legal expenses for Dr. Theuer in 2013 in connection with negotiating his employment agreement.

(4) Mr. Logan was hired in February 2013.

(5) Ms. Bitar was hired in September 2014.

Annual Base Salary

The compensation of our named executive officers is generally determined and approved by our board of directors, based on the recommendation of the compensation committee of our board of directors. The table below shows the annual base salaries for our named executive officers in 2014:

Name	2014 Base Salary ($)
Charles P. Theuer, M.D., Ph.D.	395,000
H Casey Logan, M.B.A.	260,000
Patricia Bitar, CPA	250,000

Annual Performance-Based Bonus Opportunity

In addition to base salaries, our named executive officers are eligible to receive annual performance-based cash bonuses, which are designed to provide appropriate incentives to our executives to achieve defined annual corporate goals and to reward our executives for individual achievement towards these goals. The annual performance-based bonus each named executive officer is eligible to receive is generally based on the extent to which we achieve the corporate goals that our board of directors establishes each year. At the end of the year, our board of directors reviews our performance against each corporate goal and determines the extent to which we achieved each of our corporate goals.

For 2014, Dr. Theuer was eligible to receive a target bonus of up to 50% of his base salary, Mr. Logan was eligible to receive a target bonus of up to 30% of his base salary and Ms. Bitar was eligible to receive a target bonus of up to 30% of her base salary, each pursuant to the terms of his employment agreement described below under "—Agreements with our Named Executive Officers." Our board of directors will generally consider each named executive officer's individual contributions towards reaching our annual corporate goals but does not typically establish specific individual goals for our named executive officers. There is no minimum bonus percentage or amount established for the named executive officers and, as a result, the bonus amounts vary from year to year based on corporate and individual performance. In April 2014, our board of directors approved our corporate goals for 2014, with financial goals assigned a 50% weight, project-based goals assigned a 45% weight and team-based goals assigned a 5% weight.

Equity-Based Incentive Awards

Our equity-based incentive awards are designed to align our interests with those of our employees and consultants, including our named executive officers. Our board of directors is responsible for approving equity grants. In the fiscal year ending December 31, 2014, stock option awards were the only form of equity awards we granted to our named executive officers. Vesting of the stock option awards is tied to continuous service with us and serves as an additional retention measure. Our executives generally are awarded an initial new hire grant upon commencement of employment. Additional grants may occur periodically in order to specifically incentivize executives with respect to achieving certain corporate goals or to reward executives for exceptional performance.

Prior to this offering, we have granted all equity awards pursuant to the 2011 plan, the terms of which are described below under "—Equity Benefit Plans." All options are granted with a per share exercise price equal to no less than the fair market value of a share of our common stock on the date of the grant of such award. Generally our stock option awards vest over a four-year period subject to the holder's continuous service to us and may be granted with an early exercise feature. Options granted to certain of our employees (including Dr. Theuer and Mr. Logan) in October 2014 in connection with our Series B financing also include an additional vesting condition that this offering be completed on or before March 31, 2015. If this offering is not completed by such deadline, the option shares subject to the milestone vesting condition will be forfeited.

With the exception of stock option awards granted to Dr. Theuer, described below under "—Potential Payments Upon Termination or Change in Control," all of our outstanding stock option awards as of September 30, 2014 contain a double trigger acceleration feature. Pursuant to such double trigger acceleration feature, in the event of the holder's cessation of continuous service without cause, and not due to a death or disability, in connection with or within 18 months following consummation of a change in control, the vesting and exercisability of the option will be accelerated in full.

In March 2013, our board of directors granted Dr. Theuer and Mr. Logan options to purchase 100,000 and 329,997 shares of common stock, respectively, each with an exercise price of $0.345 per share. On May 23, 2013, our board of directors granted Dr. Theuer and Mr. Logan options to purchase 263,235 and 105,294 shares of common stock, respectively, each with an exercise price of $0.345 per share. The vesting terms of each such option grant are described in the footnotes to the "—Outstanding Equity Awards at Fiscal Year-End" table below. In October 2014, our board of directors granted Dr. Theuer, Mr. Logan and Ms. Bitar options to purchase 518,401, 66,780 and 228,776 shares of our common stock respectively, each with an exercise price of $1.82 per share. Such option grants to Dr. Theuer and Mr. Logan contain the milestone vesting condition described above, but Ms. Bitar's grant is only subject to our standard four-year vesting schedule because it is a new hire grant.

Agreements with Our Named Executive Officers

Below are descriptions of our employment agreements with our named executive officers. For a discussion of the severance pay and other benefits to be provided in connection with a termination of employment and/or a change in control under the arrangements with our named executive officers, please see "—Potential Payments upon Termination or Change in Control" below.

Agreement with Dr. Theuer. In May 2014, we entered into an amended and restated employment agreement with Dr. Theuer that governs the terms of his employment with us. This agreement was further amended in September 2014 in connection with our Series B financing to include an updated invention assignment agreement and clarify the language of certain provisions for compliance with California law. Pursuant to the agreement, Dr. Theuer is entitled to an annual base salary of $395,000 and is eligible to receive an annual performance bonus of up to 50% of his base salary, as determined by our board of directors. Pursuant to his existing employment agreement, within 90 days of any future issuance of common stock during the term of the agreement, we are obligated to grant Dr. Theuer a stock option to purchase a number of shares sufficient to maintain an ownership percentage of 5% of all of our outstanding stock on a fully diluted basis; this provision does not apply to and terminates in connection with the closing of this offering. Dr. Theuer was also entitled to reimbursement of his legal expenses incurred in connection with negotiating his amended agreement (up to $2,500). Dr. Theuer is additionally entitled to certain severance benefits pursuant to his agreement, the terms of which are described below under "—Potential Payments Upon Termination or Change of Control."

Agreement with Mr. Logan. We entered into an employment agreement with Mr. Logan in February 2013 that governs the current terms of his employment with us. This agreement was amended in September 2014 in connection with our Series B financing to include an updated invention assignment agreement. Pursuant to the agreement, Mr. Logan was entitled to an annual base salary of $236,000, was eligible to receive an annual target performance bonus of up to 20% of his base salary, as determined by our board of directors, and was granted initial new hire options to purchase an aggregate of 329,997 shares of our common stock. Mr. Logan is additionally entitled to certain severance benefits pursuant to his agreement, the terms of which are described below under "—Potential Payments Upon Termination or Change of Control."

Agreement with Ms. Bitar. We entered into a letter agreement with Ms. Bitar in September 2014 that governs the terms of her employment with us. Pursuant to the agreement, Ms. Bitar is entitled to an annual base salary of $250,000, is eligible to receive an annual target performance bonus of up to 30% of her base salary, as determined by our board of directors, and was granted an option to purchase an aggregate of 228,776 shares of our common stock. Ms. Bitar is additionally entitled to certain severance benefits pursuant to a severance agreement, the terms

of which are described below under "—Potential Payments Upon Termination or Change of Control."

Potential Payments Upon Termination or Change of Control

Regardless of the manner in which a named executive officer's service terminates, the named executive officer is entitled to receive amounts earned during his or her term of service, including salary and unused vacation pay. In addition, each of our named executive officers is eligible to receive certain benefits pursuant to his agreement with us described above under "—Agreements with our Named Executive Officers."

Dr. Theuer. If Dr. Theuer's employment is terminated as a result of his death, his estate would be entitled to receive payments equal to continued payment of his base salary for 12 months and reimbursement of expenses owed to him through the date of his death. In addition, his stock option awards would vest on an accelerated basis as if his termination occurred six months later. If Dr. Theuer's employment is terminated as a result of disability, he would be entitled to reimbursement of expenses owed to him through the date of his disability, and his stock option awards would vest on an accelerated basis as if his termination occurred six months later. If Dr. Theuer's employment is terminated for cause, he would be entitled to his base salary and any expense reimbursement owed to him as of the date of his termination. If Dr. Theuer's employment is terminated by us for reasons other than for cause or (including upon a change of control), he resigns for good reason or his agreement expires at the end of the term without renewal, he would be entitled to receive severance payments equal to continued payment of his base salary for 12 months, employee benefit coverage for up to 12 months, reimbursement of expenses owed to him through the date of his termination and 100% automatic vesting of any unvested time-based stock option awards.

Mr. Logan. If Mr. Logan's employment is terminated without cause or if he resigns for good reason, he will be entitled to a severance payment equal to six months of his annualized base salary and to payment of his health insurance premiums for up to six months. His options will become vested and exercisable with respect to an additional six months of vesting following the termination date. If Mr. Logan's employment is terminated without cause or if he resigns for good reason within 18 months following a change in control, he will be entitled to a severance payment equal to nine months of his annual base salary, payment of his health insurance premiums for up to nine months and 100% automatic vesting of any unvested time-based stock option awards.

Ms. Bitar. We entered into a severance agreement with Ms. Bitar in September 2014 under our severance plan. Pursuant to the agreement, if Ms. Bitar's employment is terminated without cause or if she resigns for good reason within 12 months following a change of control, she will be entitled to a severance payment equal to six months of her annual base salary and payment of her health insurance premium for six months.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information regarding equity awards granted to our named executive officers that remain outstanding as of December 31, 2014.

			Option Awards[1][2]			
	Grant date	Vesting commencement date	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option exercise price per share ($)[3]	Option expiration date
Charles P. Theuer, M.D., Ph.D.	9/20/2011	3/31/2011	679,680	45,312	0.181	9/19/2021
	3/14/2013	7/13/2012	60,416	39,584	0.345	3/13/2023
	5/23/2013	5/15/2013	104,197	159,038	0.345	5/22/2023
	10/3/2014	10/3/2014	—	319,566	1.82	10/2/2024
	10/3/2014	10/3/2014	—	198,835[4]	1.82	10/2/2024
H Casey Logan, M.B.A.	3/14/2013	2/19/2013	151,248	178,749	0.345	3/13/2023
	5/23/2013	2/19/2013	41,678	63,616[5]	0.345	5/22/2023
	10/3/2014	10/3/2014	—	4,644	1.82	10/2/2024
	10/3/2014	10/3/2014	—	62,136[4]	1.82	10/2/2024
Patricia Bitar, CPA	10/3/2014	9/22/2014	—	228,776	1.82	10/2/2024

(1) All of the option awards were granted under the 2011 plan, the terms of which are described below under "—Equity Benefit Plans."

(2) Except as specifically noted, all of the option awards have a four-year vesting schedule. Dr. Theuer's options granted prior to October 3, 2014 vest in equal monthly tranches over the four-year vesting period, and Mr. Logan's and Ms. Bitar's options, and Dr. Theuer's October 3, 2014 option awards, include a one-year cliff and monthly vesting thereafter. The options are also eligible for accelerated vesting on a qualifying termination as described above under "—Potential Payments Upon Termination or Change of Control."

(3) All of the option awards were granted with a per share exercise price equal to the fair market value of one share of our common stock on the date of grant, as determined in good faith by our board of directors.

(4) Option award includes an additional vesting condition that this offering be completed prior to March 31, 2015, and all shares subject to this option will be forfeited without consideration if this condition is not satisfied.

(5) 19,742 shares ($9/48^{th}$ of the total award) vested on the first anniversary of the vesting commencement date, and $1/48^{th}$ of the shares under the award vest monthly thereafter for the next 39 months.

Option Exercises

Our named executive officers did not exercise any stock option awards during the fiscal year ended December 31, 2014.

Option Repricings

We did not engage in any repricings or other modifications or cancellations to any of our named executive officers' outstanding equity awards during the year ended December 31, 2014.

Health, Welfare and Retirement Benefits

All of our named executive officers are eligible to participate in our employee benefit plans, including our medical, dental, and life and disability insurance plans, in each case on the same basis as all of our other employees. We provide a 401(k) plan to our employees, including our named executive officers, as discussed in the section below entitled "—401(k) Plan."

401(k) Plan

We maintain a defined contribution employee retirement plan, or 401(k) plan, for our employees. Our named executive officers are also eligible to participate in the 401(k) plan on the same basis as our other employees. The 401(k) plan is intended to qualify as a tax-qualified plan under Section 401(k) of the Code, and is also intended to qualify as a safe harbor plan. During 2014, we made matching contributions of 100% of the amount of each participant's contributions, up to 4% of each participant's compensation. The 401(k) plan currently does not offer the ability to invest in our securities.

Nonqualified Deferred Compensation

None of our named executive officers participate in or have account balances in nonqualified defined contribution plans or other nonqualified deferred compensation plans maintained by us. Our board of directors may elect to provide our officers and other employees with nonqualified defined contribution or other nonqualified deferred compensation benefits in the future if it determines that doing so is in our best interests.

Equity Benefit Plans

2015 Equity Incentive Plan

Our board of directors adopted the 2015 plan in January 2015 and our stockholders approved the 2015 plan in 2015, which will become effective upon the execution and delivery of the underwriting agreement related to this offering. Once the 2015 plan is effective, no further grants will be made under the 2011 plan.

Stock Awards. The 2015 plan provides for the grant of incentive stock options, or ISOs, nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, and other forms of equity compensation, or collectively, stock awards, all of which may be granted to employees, including officers, non-employee directors and consultants of us and our affiliates. Additionally, the 2015 plan provides for the grant of performance cash awards. ISOs may be granted only to employees. All other awards may be granted to employees, including officers, and to non-employee directors and consultants.

Share Reserve. Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2015 plan after the 2015 plan becomes effective is the sum of (1) 3,100,000 shares, plus (2) the number of shares (not to exceed 4,112,217 shares) (a) reserved for issuance under our 2011 plan at the time our 2015 plan becomes effective, and (b) any shares subject to outstanding stock options or other stock awards that were granted under our 2011 plan that are forfeited, terminate, expire or are otherwise not issued. Additionally, the number of shares of our common stock reserved for issuance under our 2015 plan will automatically increase on January 1 of each year, beginning on January 1, 2016 and continuing through and including January 1, 2025, by 4% 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. The maximum number of shares of our common stock that may be issued upon the exercise of ISOs under our 2015 plan is 14,000,000 shares.

No person may be granted stock awards covering more than 1,000,000 shares of our common stock under our 2015 plan during any calendar year pursuant to stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the fair market value on the date the stock award is granted. Additionally, no person may be granted in a calendar year a performance stock award covering more than 1,000,000 shares of our common stock or a

performance cash award having a maximum value in excess of $1,000,000. Such limitations are designed to help assure that any deductions to which we would otherwise be entitled with respect to such awards will not be subject to the $1,000,000 limitation on the income tax deductibility of compensation paid to any covered executive officer imposed by Section 162(m) of the Code.

If a stock award granted under the 2015 plan expires or otherwise terminates without being exercised in full, or is settled in cash, the shares of our common stock not acquired pursuant to the stock award again will become available for subsequent issuance under the 2015 plan. In addition, the following types of shares of our common stock under the 2015 plan may become available for the grant of new stock awards under the 2015 plan: (1) shares that are forfeited to or repurchased by us prior to becoming fully vested; (2) shares withheld to satisfy income or employment withholding taxes; or (3) shares used to pay the exercise or purchase price of a stock award. Shares issued under the 2015 plan may be previously unissued shares or reacquired shares bought by us on the open market. As of the date hereof, no awards have been granted and no shares of our common stock have been issued under the 2015 plan.

Administration. Our board of directors, or a duly authorized committee thereof, has the authority to administer the 2015 plan. Our board of directors may also delegate to one or more of our officers the authority to (1) designate employees (other than other officers) to be recipients of certain stock awards, and (2) determine the number of shares of common stock to be subject to such stock awards. Subject to the terms of the 2015 plan, our board of directors or the authorized committee, referred to herein as the plan administrator, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability and vesting schedule applicable to a stock award. Subject to the limitations set forth below, the plan administrator will also determine the exercise price, strike price or purchase price of awards granted and the types of consideration to be paid for the award.

The plan administrator has the authority to modify outstanding awards under our 2015 plan. Subject to the terms of our 2015 plan, the plan administrator has the authority to reduce the exercise, purchase or strike price of any outstanding stock award, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration, or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Stock Options. ISOs and NSOs are granted pursuant to stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2015 plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2015 plan vest at the rate specified by the plan administrator.

The plan administrator determines the term of stock options granted under the 2015 plan, up to a maximum of ten years. Unless the terms of an optionholder's stock option agreement provide otherwise, if an optionholder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the optionholder may generally exercise any vested options for a period of three months following the cessation of service. The option term may be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an optionholder's service relationship with us or any of our affiliates ceases due to disability or death, or an optionholder dies within a certain period following cessation of service, the optionholder or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, options generally

terminate immediately upon the termination of the individual for cause. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (1) cash, check, bank draft or money order, (2) a broker-assisted cashless exercise, (3) the tender of shares of our common stock previously owned by the optionholder, (4) a net exercise of the option if it is an NSO, and (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An optionholder may designate a beneficiary, however, who may exercise the option following the optionholder's death.

Tax Limitations on Incentive Stock Options. The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an optionholder during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (1) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (2) the term of the ISO does not exceed five years from the date of grant.

Restricted Stock Awards. Restricted stock awards are granted pursuant to restricted stock award agreements adopted by the plan administrator. Restricted stock awards may be granted in consideration for (1) cash, check, bank draft or money order, (2) services rendered to us or our affiliates, or (3) any other form of legal consideration. Common stock acquired under a restricted stock award may, but need not, be subject to a share repurchase option in our favor in accordance with a vesting schedule to be determined by the plan administrator. A restricted stock award may be transferred only upon such terms and conditions as set by the plan administrator. Except as otherwise provided in the applicable award agreement, restricted stock awards that have not vested may be forfeited or repurchased by us upon the participant's cessation of continuous service for any reason.

Restricted Stock Unit Awards. Restricted stock unit awards are granted pursuant to restricted stock unit award agreements adopted by the plan administrator. Restricted stock unit awards may be granted in consideration for any form of legal consideration. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator, or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Except as otherwise provided in the applicable award agreement, restricted stock units that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Stock Appreciation Rights. Stock appreciation rights are granted pursuant to stock appreciation grant agreements adopted by the plan administrator. The plan administrator determines the strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Upon the exercise of a stock appreciation right, we will pay the participant an amount equal to the product of (1) the excess of the per share fair market value of our common stock on the date of exercise over the strike price, multiplied by (2) the number of shares of common stock with respect to which the stock appreciation right is exercised. A stock appreciation right granted under the 2015 plan

vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator.

The plan administrator determines the term of stock appreciation rights granted under the 2015 plan, up to a maximum of ten years. Unless the terms of a participant's stock appreciation right agreement provides otherwise, if a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. The stock appreciation right term may be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the termination of the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

Performance Awards. The 2015 plan permits the grant of performance-based stock and cash awards that may qualify as performance-based compensation that is not subject to the $1,000,000 limitation on the income tax deductibility of compensation paid to a covered executive officer imposed by Section 162(m) of the Code. To help assure that the compensation attributable to performance-based awards will so qualify, our compensation committee can structure such awards so that stock or cash will be issued or paid pursuant to such award only after the achievement of certain pre-established performance goals during a designated performance period.

The performance goals that may be selected include one or more of the following: (1) earnings (including earnings per share and net earnings); (2) earnings before interest, taxes and depreciation; (3) earnings before interest, taxes, depreciation and amortization; (4) earnings before interest, taxes, depreciation, amortization and legal settlements; (5) earnings before interest, taxes, depreciation, amortization, legal settlements and other income (expense); (6) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense) and stock-based compensation; (7) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation and changes in deferred revenue; (8) total stockholder return; (9) return on equity or average stockholder's equity; (10) return on assets, investment, or capital employed; (11) stock price; (12) margin (including gross margin); (13) income (before or after taxes); (14) operating income; (15) operating income after taxes; (16) pre-tax profit; (17) operating cash flow; (18) sales or revenue targets; (19) increases in revenue or product revenue; (20) expenses and cost reduction goals; (21) improvement in or attainment of working capital levels; (22) economic value added (or an equivalent metric); (23) market share; (24) cash flow; (25) cash flow per share; (26) share price performance; (27) debt reduction; (28) implementation or completion of projects or processes (including, without limitation, clinical trial initiation, clinical trial enrollment, clinical trial results, new and supplemental indications for existing products, regulatory filing submissions, regulatory filing acceptances, regulatory or advisory committee interactions, regulatory approvals, and product supply); (29) stockholders' equity; (30) capital expenditures; (31) debt levels; (32) operating profit or net operating profit; (33) workforce diversity; (34) growth of net income or operating income; (35) billings; (36) bookings; (37) employee retention; (38) initiation of phases of clinical trials and/or studies by specific dates; (39) patient enrollment rates; (40) budget management; (41) submission to, or approval by, a regulatory body (including, but not limited to the FDA) of an applicable filing or a product candidate;

(42) regulatory milestones; (43) progress of internal research or clinical programs; (44) progress of partnered programs; (45) partner satisfaction; (46) timely completion of clinical trials; (47) submission of INDs and NDAs and other regulatory achievements; (48) research progress, including the development of programs; (49) strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; and (50) to the extent that an award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by our board of directors.

The performance goals may be based on a company-wide basis, with respect to one or more business units, divisions, affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise (1) in the award agreement at the time the award is granted or (2) in such other document setting forth the performance goals at the time the goals are established, we will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (a) to exclude restructuring and/or other nonrecurring charges; (b) to exclude exchange rate effects; (c) to exclude the effects of changes to generally accepted accounting principles; (d) to exclude the effects of any statutory adjustments to corporate tax rates; (e) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles; (f) to exclude the dilutive effects of acquisitions or joint ventures; (g) to assume that any business divested by us achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (h) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (i) to exclude the effects of stock-based compensation and the award of bonuses under our bonus plans; (j) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (k) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; (l) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item; and (m) to exclude the effects of the timing of acceptance for review and/or approval of submissions to the FDA or any other regulatory body. In addition, we retain the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of the performance goals and to define the manner of calculating the performance criteria we select to use for such performance period. The performance goals may differ from participant to participant and from award to award.

Other Stock Awards. The plan administrator may grant other awards based in whole or in part by reference to our common stock. The plan administrator will set the number of shares under the stock award and all other terms and conditions of such awards.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, appropriate adjustments will be made to (1) the class and maximum number of shares reserved for issuance under the 2015 plan, (2) the class and maximum number of shares by which the share reserve may increase automatically each year, (3) the class and maximum number of shares that may be issued upon the exercise of ISOs, (4) the class and maximum number of shares subject to stock awards that can be granted in a calendar year (as established under the 2015 plan pursuant to Section 162(m) of the Code) and (5) the class and number of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;
- accelerate the vesting of the stock award and provide for its termination prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award in exchange for such cash consideration, if any, as our board of directors may deem appropriate; or
- make a payment equal to the excess of (1) the value of the property the participant would have received upon exercise of the stock award over (2) the exercise price otherwise payable in connection with the stock award.

Our plan administrator is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

Under the 2015 plan, a corporate transaction is generally the consummation of (1) a sale or other disposition of all or substantially all of our consolidated assets, (2) a sale or other disposition of at least 90% of our outstanding securities, (3) a merger, consolidation or similar transaction following which we are not the surviving corporation, or (4) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

Change of Control. The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a change of control. For example, certain of our employees may receive an award agreement that provides for vesting acceleration upon the individual's termination without cause or resignation for good reason (including a material reduction in the individual's base salary, duties, responsibilities or authority, or a material relocation of the individual's principal place of employment with us) in connection with a change of control. Under the 2015 plan, a change of control is generally (1) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction; (2) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity; or (3) a consummated sale, lease or exclusive license or other disposition of all or substantially of our consolidated assets.

Amendment and Termination. Our board of directors has the authority to amend, suspend, or terminate our 2015 plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. No ISOs may be granted after the tenth anniversary of the date our board of directors adopted our 2015 plan.

2011 Equity Incentive Plan

Our board of directors initially adopted, and our stockholders approved the 2011 Equity Incentive Plan, or the 2011 plan, in August 2011. The 2011 plan provides for the grant of stock options (ISOs and NSOs), stock appreciation rights, restricted stock awards and RSU awards to

our employees, directors, and consultants. To date, only stock options have been awarded under the 2011 plan.

Administration. Our board of directors, or a duly authorized committee thereof, has the authority to administer the 2011 plan. Subject to the terms of the 2011 plan, our board of directors determines recipients, dates of grant, the number of and types of awards to be granted and the terms and conditions of awards made, including any applicable vesting schedule. Awards under the 2011 plan are granted pursuant to award agreements adopted by the plan administrator.

Share Reserve. The aggregate number of shares of our common stock reserved for issuance pursuant to awards under the 2011 plan is 4,144,681 shares. The initial number of shares we reserved for issuance pursuant to the 2011 plan was 3,264,681 shares, which was increased in September 2014 to 4,144,681 shares in connection with our issuance of shares of our Series B redeemable convertible preferred stock. As of November 30, 2014, 32,464 shares of common stock were issued and outstanding pursuant to options under the plan that had been exercised, and 4,011,184 shares of common stock were subject to outstanding awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, each outstanding award will be subject to the terms of the applicable transaction agreement. Such transaction agreement may provide, without limitation, for the assumption or substitution of awards, for their continuation, for accelerated vesting or for cancellation with or without consideration, in all cases without the consent of the award holder.

Amendment and Termination. Our board of directors has the authority to amend, suspend or terminate our 2011 plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. Upon the effectiveness of the registration statement of which this prospectus is a part, no additional awards will be granted under the 2011 plan. However, any outstanding awards already granted under the 2011 plan will remain outstanding, subject to the terms of such plan and the applicable award agreements, until such outstanding awards are exercised or until they terminate or expire by their terms.

2015 Employee Stock Purchase Plan

Our board of directors adopted the ESPP in January 2015 and our stockholders approved the ESPP in 2015. The ESPP will become effective immediately upon the execution and delivery of the underwriting agreement related to this offering. The purpose of the ESPP is to retain the services of new employees and secure the services of new and existing employees while providing incentives for such individuals to exert maximum efforts toward our success and that of our affiliates.

Share Reserve. Following this offering, the ESPP authorizes the issuance of 710,000 shares of our common stock pursuant to purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our common stock reserved for issuance will automatically increase on January 1 of each calendar year, from January 1, 2016 through January 1, 2025 by the least of (1) 1% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, (2) 1,420,000 shares, or (3) a number determined by our board of directors that is less than (1) and (2). The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code. As of the date hereof, no shares of our common stock have been purchased under the ESPP.

Administration. Our board of directors has delegated its authority to administer the ESPP to our compensation committee. The ESPP is implemented through a series of offerings of purchase rights to eligible employees. Under the ESPP, we may specify offerings with durations

of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for employees participating in the offering. An offering may be terminated under certain circumstances.

Payroll Deductions. Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings for the purchase of our common stock under the ESPP. Unless otherwise determined by our board of directors, common stock will be purchased for accounts of employees participating in the ESPP at a price per share equal to the lower of (1) 85% of the fair market value of a share of our common stock on the first date of an offering or (2) 85% of the fair market value of a share of our common stock on the date of purchase.

Limitations. Employees may have to satisfy one or more of the following service requirements before participating in the ESPP, as determined by our board of directors: (1) customarily employed for more than 20 hours per week, (2) customarily employed for more than five months per calendar year or (3) continuous employment with us or one of our affiliates for a period of time (not to exceed two years). No employee may purchase shares under the ESPP at a rate in excess of $25,000 worth of our common stock based on the fair market value per share of our common stock at the beginning of an offering for each year such a purchase right is outstanding. Finally, no employee will be eligible for the grant of any purchase rights under the ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding capital stock measured by vote or value pursuant to Section 424(d) of the Code.

Changes to Capital Structure. In the event that there occurs a change in our capital structure through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or similar transaction, the board of directors will make appropriate adjustments to (1) the number of shares reserved under the ESPP, (2) the maximum number of shares by which the share reserve may increase automatically each year and (3) the number of shares and purchase price of all outstanding purchase rights.

Corporate Transactions. In the event of certain significant corporate transactions, including the consummation of: (1) a sale of all our assets, (2) the sale or disposition of 90% of our outstanding securities, (3) a merger or consolidation where we do not survive the transaction and (4) a merger or consolidation where we do survive the transaction but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction, any then-outstanding rights to purchase our stock under the ESPP may be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity (or its parent company) elects not to assume, continue or substitute for such purchase rights, then the participants' accumulated payroll contributions will be used to purchase shares of our common stock within ten business days prior to such corporate transaction, and such purchase rights will terminate immediately.

Amendment and Termination. Our board of directors has the authority to amend or terminate our ESPP, provided that except in certain circumstances any such amendment or termination may not materially impair any outstanding purchase rights without the holder's consent. We will obtain stockholder approval of any amendment to our ESPP as required by applicable law or listing requirements.

Director Compensation

Our board of directors adopted a new compensation policy in December 2014 that will become effective upon the execution and delivery of the underwriting agreement related to this offering and will be applicable to all of our non-employee directors. This compensation policy provides that each non-employee director will receive the following compensation for service on our board of directors:

- an annual cash retainer of $35,000;
- an annual cash retainer of $60,000 for service as chairman of our board of directors;
- an additional annual cash retainer of $7,500, $5,000 and $3,750 for service on our audit committee, compensation committee and the nominating and corporate governance committee, respectively;
- an additional annual cash retainer of $15,000, $10,000 and $7,500 for service as chairman of the audit committee, compensation committee and the nominating and corporate governance committee (in lieu of regular committee member fees), respectively;
- an automatic annual option grant to purchase a number of shares of our common stock having a grant date fair value of $100,000 for each non-employee director serving on the board of directors on the date of our annual stockholder meeting (including by reason of his or her election at such meeting), in each case vesting 100% as of the earlier of the date of our next annual stockholder meeting and the one-year anniversary of the date of grant; and
- upon first joining our board of directors following this offering an automatic initial grant of an option to purchase a number of shares of our common stock having a grant date fair value of $168,000 that vests ratably in annual installments over a three-year period following the grant date.

Each of the option grants described above will vest and become exercisable subject to the director's continuous service with us, provided that each option will vest in full upon a change of control, as defined under our 2015 plan. The options will be granted under our 2015 plan, the terms of which are described in more detail above under "—Equity Benefit Plans—2015 Equity Incentive Plan."

Prior to this offering, we did not provide compensation to our non-employee directors other than Kenneth Galbraith, our former Chairman, who received stock option grants as his sole compensation.

We did not provide compensation to our non-employee directors during 2014.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following includes a summary of transactions since January 1, 2011 to which we have been a party, in which the amount involved in the transaction exceeded $120,000, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change of control and other arrangements, which are described under "Executive and Director Compensation."

Debt Conversion and Series A Preferred Stock Financing

From February 2006 to June 2010, we issued various promissory notes to entities affiliated with Lindsay A. Rosenwald, M.D., and in 2007 and 2008, we issued bridge notes to various investors. We refer to these promissory notes and bridge notes as the Old Debt. Subsequent to June 2010 and through March 2011, we borrowed additional amounts under the promissory notes issued to entities affiliated with Dr. Rosenwald, and in 2010, we issued additional bridge notes to other investors. We refer to these later borrowings and bridge notes as the New Debt. In March 2011, we entered into a Series A preferred stock purchase agreement, pursuant to which we issued and sold to investors in three closings an aggregate of 12,249,999 shares of our Series A redeemable convertible preferred stock, at a purchase price of $2.00 per share. At the time of the initial closing of the Series A preferred stock financing, the total principal and accrued interest under the Old Debt was approximately $42.3 million, and the total principal and accrued interest under the New Debt was approximately $2.5 million.

In connection with the initial closing of the Series A preferred stock financing, we and the holders of the Old Debt agreed to convert the principal and accrued interest under the Old Debt into an aggregate of 6,137,434 shares of our common stock, with each $1.00 of Old Debt converting into approximately 0.14 shares of our common stock. In addition, as partial consideration for the Series A redeemable convertible preferred stock purchased by the holders of the New Debt in the Series A preferred stock financing, the holders of the New Debt agreed to cancel the $2.5 million of outstanding New Debt, with the remaining consideration paid in cash.

The participants in this debt conversion and Series A preferred stock financing included holders of more than 5% of our capital stock and entities affiliated with our directors. The following table sets forth the aggregate number of shares of common stock and Series A

redeemable convertible preferred stock issued to these related parties in connection with the foregoing transactions:

Participants	Cancellation of Old Debt	Shares of Common Stock	Cancellation of New Debt and Cash Payments	Shares of Series A Redeemable Convertible Preferred Stock
Greater than 5% Stockholders				
Entities affiliated with Lindsay A. Rosenwald, M.D.[1]	$ 6,093,281	884,135[2]	$ 812,443[3]	406,221
Arcus Ventures Fund, LP	—	—	$ 2,000,000	1,000,000
BHP No. 2 Investment Limited Partnership	—	—	$ 2,000,000	1,000,000
Brookline Tracon Investment Fund, LLC[4][5]	$ 15,470,692	2,244,798[6]	$ 3,220,300[7]	1,610,150
JAFCO Super V3 Investment Limited Partnership[5]	—	—	$ 10,000,000	5,000,000
Nextech III Oncology, LPCI[5]	—	—	$ 4,500,000	2,250,000
Entities Affiliated with Our Directors and Officers				
ONC Partners, L.P.[5]	—	—	$ 1,500,000	750,000

(1) Lindsay A. Rosenwald, M.D., as sole equity holder of Paramount BioSciences, LLC, or PBS, and Paramount BioCapital, Inc., and through The Lindsay A. Rosenwald 2000 Irrevocable Trust Dated 5/24/2000, The Lindsay A. Rosenwald Alaska Irrevocable Indenture of Trust Dated 8/28/2001, The Lindsay A. Rosenwald Nevada Irrevocable Trust Dated l/6/2003 and The Lindsay A. Rosenwald Rhode Island Irrevocable Indenture of Trust Dated 8/28/2001, collectively the Rosenwald Trusts, established for the benefit of his family, beneficially owned greater than 5% of our outstanding capital stock prior to our Series A preferred stock financing. In connection with our Series A preferred stock financing, Dr. Rosenwald and the Rosenwald Trusts agreed to relinquish all of their previously held shares of common stock, equal to 83,438 shares, in exchange for our seeking a waiver from the holders of our bridge notes of the provisions in the bridge notes that provided for the subordination of two future advance promissory notes issued in 2006 in favor of PBS, or the PBS Note, and The Lindsay A. Rosenwald 2000 Family Trusts Dated December 15, 2000, respectively, as part of the recapitalization of our capital stock.

(2) Of the shares of common stock acquired as a result of the recapitalization by entities affiliated with Dr. Rosenwald, 415,691 shares of common stock were acquired by PBS, and 468,444 shares of common stock were acquired by The Lindsay A. Rosenwald 2000 Family Trusts Dated December 15, 2000.

(3) In connection with the initial closing of the Series A preferred stock financing, PBS acquired 406,221 shares in exchange for the cancellation of debt in the amount of $812,443, which represents the principal and interest related to amounts loaned to us by PBS pursuant to the PBS Note between July 2010 and March 1, 2011.

(4) Brookline Tracon Investment Fund II, LLC, CSA Biotechnology Fund I, LLC, and CSA Biotechnology Fund II, LLC are affiliated with Brookline Tracon Investment Fund, LLC.

(5) As of the initial closing of the Series A preferred stock financing, each of these entities acquired at least one seat on our board. One of our directors (J. Rainer Twiford, J.D., Ph.D.) is affiliated with Brookline Tracon Investment Fund II, LLC; two of our directors (Kenji Harada, Ph.D., and Hironori Hozoji) are affiliated with JAFCO Super V3 Investment Limited Partnership; and one of our directors (Alfred Scheidegger, Ph.D.) is affiliated with Nextech III Oncology, LPCI and with ONC Partners, L.P.

(6) In connection with the recapitalization of our outstanding debt, Brookline Tracon Investment Fund, LLC, acquired 1,692,005 shares of our common stock, CSA Biotechnology Fund I, LLC, acquired 191,101 shares of our common stock and CSA Biotechnology Fund II, LLC acquired 361,692 shares of our common stock.

(7) Of the aggregate purchase price received from Brookline Tracon Investment Fund II, LLC, $1,220,300 represented a cancellation of debt.

Series B Preferred Stock Financing

In September 2014, we entered into a Series B preferred stock purchase agreement, pursuant to which we issued and sold to investors an aggregate of 12,400,274 shares of our Series B redeemable convertible preferred stock at a purchase price of approximately $2.19 per share, for aggregate consideration of $27.2 million.

The participants in this Series B preferred stock financing included holders of more than 5% of our capital stock and entities affiliated with our directors. The following table sets forth the aggregate number of shares of Series B redeemable convertible preferred stock issued to these related parties in this preferred stock financing:

Participants	Cash Payments	Shares of Series B Redeemable Convertible Preferred Stock
Greater than 5% Stockholders		
Arcus Ventures Fund, LP	$ 454,545.85	207,224
BHP No. 2 Investment Limited Partnership	$ 454,545.85	207,224
Brookline Tracon Investment Fund II, LLC(1)	$ 2,049,999.04	934,579
JAFCO Super V3 Investment Limited Partnership(1)	$ 2,272,729.22	1,036,120
Nextech III Oncology, LPCI(1)(2)	$ 1,022,728.15	466,254
Entities Affiliated with Our Directors and Officers		
New Enterprise Associates 14, L.P.(3)	$ 11,796,544.30	5,377,955
ONC Partners, L.P.(1)	$ 340,909.39	155,418

(1) One of our directors (J. Rainer Twiford, J.D., Ph.D.) is affiliated with Brookline Tracon Investment Fund II, LLC; two of our directors (Kenji Harada, Ph.D., and Hironori Hozoji) are affiliated with JAFCO Super V3 Investment Limited Partnership; and one of our directors (Alfred Scheidegger, Ph.D.) is affiliated with Nextech III Oncology, LPCI and ONC Partners, L.P.

(2) Excludes 155,418 shares of Series B redeemable convertible preferred stock issued to ONC Partners, L.P. Although ONC Partners, L.P. and Nextech III Oncology, LPCI have a common investment adviser, voting and investment decisions on behalf of ONC Partners, L.P. are made by an unrelated general partner.

(3) Includes 4,559 shares of Series B redeemable convertible preferred stock issued to NEA Ventures 2014, L.P. As of the initial closing of the Series B redeemable convertible preferred stock financing, New Enterprise Associates 14, L.P. acquired a seat on our board. Paul Walker, one of our directors, is a partner of New Enterprise Associates.

Brookline Group, LLC, an affiliate of Brookline Tracon Investment Fund II, LLC, a holder of more than five percent of our common stock, acted as a nonexclusive placement agent for the Series B preferred stock financing and received a fee in the amount of $95,727.22 in consideration for such services.

Concurrent Private Placement

NEA has indicated an interest in purchasing up to approximately $ of shares of our common stock at the initial public offering price (or shares based on the assumed initial public offering price of $ per share) in a proposed private placement that would close concurrently with this offering. This indication of interest is not a binding agreement or commitment to purchase, and we could determine to sell more, less or no shares to this stockholder and this stockholder could determine to purchase more, less or no shares in the proposed concurrent private placement. The shares that may be sold in the proposed concurrent private placement would not be registered under the Securities Act. We will pay the underwriters as placement agents in the proposed concurrent private placement an aggregate cash fee equal to % of the gross sales price of the shares of common stock sold in the concurrent private placement. The closing of this offering is not conditioned upon the closing of such concurrent private placement. As of November 30, 2014, NEA beneficially owned approximately 17.4% of our common stock and immediately following this offering and the concurrent private placement, based on the assumed amounts in this prospectus, NEA will beneficially own approximately % of our common stock. The sale of shares to NEA in the concurrent private placement will not be registered in this offering.

Employment Arrangements

We currently have written employment agreements with certain executive officers. For more information, refer to the section entitled "Executive and Director Compensation—Agreements with our Named Executive Officers."

Investor Agreements

In connection with our sale and issuance of Series B redeemable convertible preferred stock in September 2014, we entered into amended and restated investors' rights, voting and right of first refusal, co-sale and drag-along agreements containing voting rights, information rights, rights of first refusal and registration rights, among other things, with certain holders of our redeemable convertible preferred stock and certain holders of our common stock, including all of the holders of more than 5% of our capital stock or entities affiliated with them. These stockholder agreements will terminate upon the closing of this offering, except for the amended and restated investors' rights agreement, which contains certain covenants that will terminate in connection with the closing of this offering and contains certain registration rights that will continue after the consummation of this offering as more fully described below in "Description of Capital Stock—Registration Rights."

Stock Options Granted to Executive Officers and Directors

We have granted stock options to our executive officers and directors, as more fully described in "Executive and Director Compensation—Outstanding Equity Awards at Fiscal Year End."

Indemnification Agreements

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our amended and restated bylaws. These agreements, among other things, require us to indemnify our directors and executive officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of their services as one of our directors or executive officers or as a director or executive officer of any other company or enterprise to which the person provides services at our request. For more information regarding these indemnification arrangements, see "Management—Limitation on Liability and Indemnification of Directors and Officers." We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

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 directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may decline in value to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Potential Insider Participation

Certain of our existing stockholders and their affiliated entities, including stockholders affiliated with our directors, have indicated an interest in purchasing up to $ million of shares of our common stock in this offering at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering.

Policies and Procedures for Transactions with Related Persons

We have adopted a written related-person transactions policy that sets forth our policies and procedures regarding the identification, review, consideration and oversight of "related-person transactions." 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 participants, and involving an amount that exceeds $120,000.

Transactions involving compensation for services provided to us as an employee, consultant or director are not considered related-person transactions under this policy. A related person is any executive officer, director or a holder of more than five percent of our common stock, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, where a transaction has been identified as a related-person transaction, management must present information regarding the proposed related-person transaction to our audit committee (or, where review by our audit committee would be inappropriate, to another independent body of our board of directors) for review. The presentation must include a description of, among other things, the material facts, the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available. To identify related-person transactions in advance, we rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our audit committee or another independent body of our board of directors takes 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 the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- 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 our employees generally.

In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our current executive officers and directors as a group.

The number of shares and percentage ownership information under the columns entitled "Before offering" is based on 30,932,596 shares of common stock outstanding as of November 30, 2014, assuming conversion of all outstanding shares of our redeemable convertible preferred stock into 24,650,273 shares of common stock.

Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than 5% of our common stock. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of our common stock issuable pursuant to the exercise of stock options or warrants that are either immediately exercisable or exercisable on or before January 29, 2015, which is 60 days after November 30, 2014. These shares are deemed to be outstanding and beneficially owned by the person holding those options or warrants for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Certain of our principal stockholders and their affiliated entities, including stockholders affiliated with our directors, have indicated an interest in purchasing up to $ million of shares of our common stock in this offering at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering. The following table does not reflect any potential purchases by these stockholders, which purchases, if any, will increase the percentage of shares owned after the offering of such stockholders from that set forth in the table below.

Except as otherwise noted below, the address for each person or entity listed in the table is c/o TRACON Pharmaceuticals, Inc., 8910 University Center Lane, Suite 700, San Diego, California 92122.

Name and address of beneficial owner	Number of shares beneficially owned	Percentage of shares beneficially owned: Before offering and concurrent private placement	Percentage of shares beneficially owned: After offering and concurrent private placement
5% or greater stockholders:			
JAFCO Super V3 Investment Limited Partnership[1] Otemachi First Square, West Tower 11F 1-5-1 Otemachi, Chiyoda-ku Tokyo 100-0004, Japan	6,036,120	19.5%	%
New Enterprise Associates 14, L.P.[2] 1954 Greenspring Drive, Suite 600 Timonium, MD 21093	5,377,955	17.4%	%
Brookline Tracon Investment Fund LLC[3] c/o Brookline Investments Inc. 2501 Twentieth Place South, Suite 275 Birmingham, AL 35223	4,789,527	15.5%	%
Nextech III Oncology, LPCI[4] Scheuchzerstrasse 35 8006 Zurich, Switzerland	2,716,254	8.8%	%
BMV Direct II LP[5] 17190 Bernardo Center Drive San Diego, CA 92128	1,860,041	6.0%	%
Directors and Named Executive Officers:			
Charles P. Theuer, M.D., Ph.D.[6]	858,288	2.7%	%
Kenji Harada, Ph.D.[1]	—	*	*
Hironori Hozoji[1]	—	*	*
William R. LaRue[7]	32,464	*	*
Martin A. Mattingly, Pharm.D.[8]	—	*	*
Alfred Scheidegger, Ph.D.[4]	2,716,254	8.8%	%
J. Rainer Twiford, J.D., Ph.D.[9]	4,828,340	15.6%	%
Paul Walker[10]	—	*	*
H Casey Logan, M.B.A.[11]	192,926	*	*
Patricia Bitar, CPA	—	*	*
All executive officers and directors as a group (10 persons)[12]	8,595,808	26.9%	%

* Represents beneficial ownership of less than 1%.

(1) Represents 6,036,120 shares of common stock beneficially owned by JAFCO Super V3 Investment Limited Partnership, or JAFCO. JAFCO Co., Ltd. is the general partner of JAFCO. As President, Chief Executive Officer and Chairperson of the investment committee of JAFCO Co., Ltd., Shinichi Fuki has voting and investment authority over the shares held by JAFCO. Kenji Harada, Ph.D., one of our directors, is Group Leader, Life Science Investment Group of JAFCO Co., Ltd., and Hironori Hozoji, another of our directors, is an Investment Officer of JAFCO Life Science Investment, a wholly owned subsidiary of JAFCO Co., Ltd. and a Principal of JAFCO, Ltd. Neither Dr. Harada nor Mr. Hozoji has beneficial ownership of such shares.

(2) Represents 5,373,396 shares of common stock beneficially owned by New Enterprise Associates 14, L.P., or NEA, and 4,559 shares of common stock beneficially owned by NEA Ventures 2014, Limited Partnership, or Ven 2014. Shares beneficially owned after the offering and the concurrent private placement do not include shares of our common stock (assuming the assumed initial public offering price of $ per share) NEA has indicated an interest in purchasing in a proposed private placement that would close concurrently with this offering. The shares directly held by NEA are indirectly held by NEA Partners 14, L.P., the sole general partner of NEA; NEA 14 GP, LTD, the sole general partner of NEA Partners 14, L.P.; and each of the individual directors of NEA 14 GP, LTD. The directors of NEA 14 GP, LTD are M. James Barrett, Peter J. Barris, Forest Baskett, Ryan D. Drant, Anthony A. Florence, Jr., Patrick J. Kerins, Krishna "Kittu" Kolluri, David M. Mott, Scott D. Sandell, Peter Sonsini, Ravi Viswanathan and Harry R. Weller. NEA, NEA Partners 14, L.P., NEA 14 GP, LTD and the directors of

NEA 14 GP, LTD share voting and dispositive power with respect to the shares held by NEA. The shares directly held by Ven 2014 are indirectly held by Karen P. Welsh, the general partner of Ven 2014. Karen P. Welsh has voting and dispositive power with respect to the shares held by Ven 2014. Paul Walker, a partner at New Enterprise Associates, has no voting or dispositive power with regard to any of the above referenced shares and disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein, if any. All indirect holders of the above referenced shares disclaim beneficial ownership of all applicable shares except to the extent of their pecuniary interest therein.

(3) Represents 1,692,005 shares of common stock beneficially owned by Brookline Tracon Investment Fund, LLC, 2,544,729 shares of common stock beneficially owned by Brookline Tracon Investment Fund II, LLC, 191,101 shares of common stock beneficially owned by CSA Biotechnology Fund I, LLC and 361,692 shares of common stock beneficially owned by CSA Biotechnology Fund II, LLC. J. Rainer Twiford, J.D., Ph.D., one of our directors, has voting and dispositive control over these shares. Dr. Twiford disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(4) Represents 2,716,254 shares of common stock beneficially owned by Nextech III Oncology, LPCI. The general partner of Nextech III is Nextech III GP Ltd. Alfred Scheidegger, Rudolf Gygax and Roland Ruckstuhl are the managing members of Nextech III GP Ltd. and may be deemed to share dispositive voting and investment power over the shares held by Nextech III. Each of these individuals disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. Excludes 905,418 shares of common stock held by ONC Partners, L.P. Although ONC Partners, L.P. and Nextech III have a common investment adviser, voting and investment decisions on behalf of ONC Partners, L.P. are made by an unrelated general partner.

(5) Represents 1,860,041 shares of common stock beneficially owned by BMV Direct II LP. The sole general partner of BMV Direct II LP is BioMed Realty, L.P. The sole general partner of BioMed Realty, L.P. is BioMed Realty Trust, Inc., a publicly traded company.

(6) Includes 844,293 shares of common stock subject to options exercisable as of January 29, 2015.

(7) Consists of 32,464 shares of common stock subject to repurchase as of January 29, 2015.

(8) Martin A. Mattingly, Pharm.D., joined our board of directors on December 26, 2014.

(9) Consists of the shares of outstanding common stock referred to in footnote (3) and 38,813 shares held by MCT Investments, LLC. Dr. Twiford's spouse, Marsha C. Twiford, has voting and investment power with respect to the shares held by MCT Investments, LLC.

(10) Paul Walker is a partner of New Enterprise Associates.

(11) Consists of 192,926 shares of common stock subject to options exercisable as of January 29, 2015.

(12) Consists of the shares of outstanding common stock and shares of common stock subject to options exercisable as of January 29, 2015 referred to in footnotes (1), (4), (6), (7), (9) and (11).

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the rights of our common and preferred stock and some of the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the closing of this offering, and of the Delaware General Corporation Law. This summary is not complete. For more detailed information, please see our amended and restated certificate of incorporation and amended and restated bylaws, which are filed as exhibits to the registration statement of which this prospectus is a part, as well as the relevant provisions of the Delaware General Corporation Law.

General

Upon closing of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 200,000,000 shares of common stock, par value $0.001 per share, and 10,000,000 shares of preferred stock, par value $0.001 per share. All of our authorized preferred stock upon the closing of this offering will be undesignated.

Common Stock

Outstanding Shares

On November 30, 2014, there were 6,282,323 shares of common stock outstanding, held of record by 224 stockholders. Based on such number of shares of common stock outstanding as of November 30, 2014, and assuming (1) the conversion of all outstanding shares of our preferred stock as of November 30, 2014 into 24,650,273 shares of common stock in connection with the closing of this offering and (2) the issuance by us of shares of common stock in this offering, there will be shares of common stock outstanding immediately following the closing of this offering.

As of November 30, 2014, there were 4,011,184 shares of common stock subject to outstanding options under our equity incentive plans.

Voting

Our common stock is entitled to one vote for each share held of record. Each holder of our common stock is entitled to notice of any stockholders' meeting, is entitled to vote upon such matters and in such manner as may be provided by law, including the election of directors, and does not have cumulative voting rights.

Dividends

Subject to preferences that may be applicable to any then outstanding preferred stock, the holders of common stock are entitled to receive dividends, if any, on a pro rata basis, as may be declared from time to time by our board of directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Rights and Preferences

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights,

preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Fully Paid and Nonassessable

All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering and the concurrent private placement will be, fully paid and nonassessable.

Preferred Stock

As of November 30, 2014, we had outstanding an aggregate of 24,650,273 shares of redeemable convertible preferred stock held of record by 26 stockholders.

In connection with the closing of this offering, all outstanding shares of redeemable convertible preferred stock at November 30, 2014 will convert into 24,650,273 shares of our common stock.

Immediately prior to the closing of this offering, our certificate of incorporation will be amended and restated to delete all references to such shares of preferred stock. Under the amended and restated certificate of incorporation, our board of directors will have the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control that may otherwise benefit holders of our common stock and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. We have no current plans to issue any shares of preferred stock.

Stock Options

As of November 30, 2014, 4,011,184 shares of common stock were issuable upon the exercise of outstanding stock options, at a weighted-average exercise price of $0.82 per share.

Outstanding Warrants

As of November 30, 2014, there were outstanding warrants to purchase 150,000 shares of our Series A redeemable convertible preferred stock issued to SVB, in connection with the execution of a loan and security agreement with SVB in November 2013 and the subsequent amendment of such agreement in June 2014. The warrants are exercisable for 10 years from the issuance date, with an exercise price of $2.00 per share. The warrants provide for cashless exercise at the option of the warrantholder, and also contain provisions for the adjustment of the exercise price and the number of shares issuable upon the exercise of the warrants in the event of stock dividends, stock splits, reclassifications, exchanges, combinations or substitutions. In connection with the closing of this offering, the warrants will automatically convert to warrants to purchase an equivalent number of shares of our common stock.

Registration Rights

Following the closing of this offering, certain holders of our common stock, or their transferees, will be entitled to the registration rights set forth below with respect to registration of the resale of such shares under the Securities Act pursuant to the amended and restated investors' rights agreement by and among us and certain of our stockholders.

Demand Registration Rights

At any time beginning on the earlier of (1) September 19, 2018 and (2) six months after the public offering date set forth on the cover page of this prospectus, upon the written request of a majority of the holders of the registrable securities then outstanding that we file a registration statement under the Securities Act covering the registration of registrable securities where the aggregate offering price is at least $5.0 million, we will be obligated to notify all holders of registrable securities of such request, within 20 days after receiving such request, and to use all commercially reasonable efforts to register the sale of all registrable securities that holders may request to be registered within 20 days after the mailing of such notice by the company. We are not required to file more than two registration statements which are declared or ordered effective. We are not required to file a registration statement during the period starting on the date 90 days prior to our good faith estimate of the date of filing of, and ending 180 days following the effective date of, the registration statement for our initial public offering. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement.

"Piggyback" Registration Rights

If we register any securities for public sale for cash, holders of registration rights will have the right to include their shares in the registration statement. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement, but not below 35% of the total number of shares included in the registration statement, except this offering, in which the holders have waived any and all rights to have their shares included.

Form S-3 Registration Rights

If we are eligible to file a registration statement on Form S-3, holders of not less than 20% of the registrable securities then outstanding have the right to demand that we file a registration statement on Form S-3 so long as the aggregate price to the public of the securities to be sold under the registration statement on Form S-3 is at least $1.0 million, subject to specified exceptions, conditions and limitations.

Expenses of Registration

Generally, we are required to bear all registration and selling expenses incurred in connection with the demand, piggyback and Form S-3 registrations described above, other than underwriting discounts and commissions.

Expiration of Registration Rights

The demand, piggyback and Form S-3 registration rights discussed above will terminate as to a given holder of registrable securities upon the earlier of (1) with respect to any holder, at such time after this offering as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such holder's shares during a three-month period without registration, or (2) upon termination of the amended and restated investors' rights agreement.

Anti-Takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation, Our Bylaws and Delaware Law

Delaware Anti-Takeover Law

We are subject to Section 203 of the Delaware General Corporation Law, or Section 203. Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or 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 upon consummation of the transaction, excluding for purposes of determining the number of shares outstanding (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the consummation of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least $66^{2}/_{3}\%$ 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, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- 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;
- 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; and
- 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.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective immediately prior to the closing of this offering, may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our

common stock. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws:

- permit our board of directors to issue up to 10,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate (including the right to approve an acquisition or other change in our control);
- provide that the authorized number of directors may be changed only by resolution adopted by a majority of the board of directors;
- provide that the board of directors or any individual director may only be removed with cause and the affirmative vote of the holders of at least $66^{2}/_{3}\%$ of the voting power of all of our then outstanding common stock;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law or subject to the rights of holders of preferred stock as designated from time to time, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- divide our board of directors into three classes;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner and also specify requirements as to the form and content of a stockholder's notice;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);
- provide that special meetings of our stockholders may be called only by the chairman of the board, our Chief Executive Officer or by 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); and
- provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to us or our stockholders, (3) any action asserting a claim against the us arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws, or (4) any action asserting a claim against us governed by the internal affairs doctrine.

The amendment of any of these provisions, with the exception of the ability of our board of directors to issue shares of preferred stock and designate any rights, preferences and privileges thereto, would require the affirmative vote of the holders of at least $66^{2}/_{3}\%$ of the voting power of all of our then outstanding common stock.

NASDAQ Global Market Listing

We have applied for listing of our common stock on The NASDAQ Global Market under the symbol "TCON."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC. The transfer agent and registrar's address is 6201 15th Avenue, Brooklyn, New York 11219.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of contractual and legal restrictions on resale described below, sales of substantial amounts of common stock in the public market after the restrictions lapse could adversely affect the prevailing market price for our common stock as well as our ability to raise equity capital in the future.

Based on the number of shares of common stock outstanding as of September 30, 2014, upon the closing of this offering and the concurrent private placement, shares of common stock will be outstanding, assuming (1) no exercise of the underwriters' over-allotment option, no exercise of options or warrants and (2) the sale of $ of shares of our common stock at a price per share equal to the initial public offering price (or shares based on the assumed initial public offering price of $ per share) in the concurrent private placement. All of the shares sold in this offering will be freely tradable unless held by an affiliate of ours or restricted as a result of the lock-up agreements described below. Except as set forth below, the remaining shares of common stock outstanding after this offering and the concurrent private placement will be restricted as a result of securities laws or lock-up agreements. These remaining shares will generally become available for sale in the public market as follows:

- no restricted shares will be eligible for immediate sale upon the closing of this offering;
- up to restricted shares will be eligible for sale under Rule 144 or Rule 701, subject to the volume limitations, manner of sale and notice provisions described below under "Rule 144," upon expiration of lock-up agreements at least 180 days after the date of this offering; and
- the remainder of the restricted shares will be eligible for sale from time to time thereafter upon expiration of their respective holding periods under Rule 144, but could be sold earlier if the holders exercise any available registration rights.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, any person who is not an affiliate of ours and has held their shares for at least six months, including the holding period of any prior owner other than one of our affiliates, may sell shares without restriction, provided current public information about us is available. In addition, under Rule 144, any person who is not an affiliate of ours and has held their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares immediately upon the closing of this offering without regard to whether current public information about us is available.

Beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is an affiliate of ours and who has beneficially owned restricted securities for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell a number of restricted shares within any three-month period that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering and the concurrent private placement; 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.

Sales of restricted shares under Rule 144 held by our affiliates are also subject to requirements regarding the manner of sale, notice and the availability of current public information about us. Rule 144 also provides that affiliates relying on Rule 144 to sell shares of our common stock that are not restricted shares must nonetheless comply with the same restrictions applicable to restricted shares, other than the holding period requirement.

Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted shares have entered into lock-up agreements as described below and their restricted shares will become eligible for sale at the expiration of the restrictions set forth in those agreements.

Rule 701

Under Rule 701, shares of our common stock acquired upon the exercise of currently outstanding options or pursuant to other rights granted under our stock plans may be resold by:

- persons other than affiliates, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, subject only to the manner-of-sale provisions of Rule 144; and

- our affiliates, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, subject to the manner-of-sale and volume limitations, current public information and filing requirements of Rule 144, in each case, without compliance with the six-month holding period requirement of Rule 144.

As of September 30, 2014, options to purchase a total of 2,743,997 shares of common stock were outstanding, of which 1,638,727 were vested. Of the total number of shares of our common stock issuable under these options, substantially all are subject to contractual lock-up agreements with us or the underwriters described below under "Underwriting" and will become eligible for sale in accordance with Rule 701 at the expiration of those agreements.

Lock-Up Agreements

We, along with our directors, executive officers and substantially all of our other stockholders, optionholders and warrantholders, have agreed with the underwriters 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 Wells Fargo Securities, LLC, dispose of or hedge any shares or any securities convertible into or exchangeable for our common stock. Wells Fargo Securities, LLC and Stifel, Nicolaus & Company, Incorporated, 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. Upon expiration of this 180-day period, certain of our stockholders and warrantholder will have the right to require us to register their shares under the Securities Act. See "—Registration Rights" below and "Description of Capital Stock—Registration Rights."

After this offering, certain of our employees, including our executive officers and directors, may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to the offering described above.

Registration Rights

In connection with the closing of this offering, the holders of 24,650,273 shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up agreements described under "—Lock-Up Agreements" above. 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 purchased by affiliates, immediately upon the effectiveness of the registration statement of which this prospectus is a part. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. See the section entitled "Description of Capital Stock—Registration Rights."

Equity Incentive Plans

We intend to file with the SEC a registration statement on Form S-8 under the Securities Act registering (1) the shares of common stock subject to outstanding options under the 2011 plan and (2) the shares of common stock reserved for issuance under the 2015 plan and the ESPP. The registration statement is expected to be filed and become effective as soon as practicable after the closing of this offering. Accordingly, shares registered under the registration statement will be available for sale in the open market following its effective date, subject to the lock-up agreements described above, if applicable.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement, we have agreed to sell to the underwriters named below, and the underwriters, for whom Wells Fargo Securities, LLC and Stifel, Nicolaus & Company are acting as joint book running managers and representatives, have severally agreed to purchase, the respective numbers of shares of common stock appearing opposite their names below:

Underwriter	Number of Shares
Wells Fargo Securities, LLC	
Stifel, Nicolaus & Company, Incorporated	
Needham & Company, LLC	
Oppenheimer & Co. Inc.	
Total	

All of the shares to be purchased by the underwriters will be purchased from us.

The underwriting agreement provides that the obligations of the several underwriters are subject to various conditions, including approval of legal matters by counsel. The shares of common stock are offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them. The underwriters reserve the right to withdraw, cancel or modify the offer and to reject orders in whole or in part.

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock offered by this prospectus if any are purchased, other than those shares covered by the over-allotment option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

Over-Allotment Option

We have granted a 30-day option to the underwriters to purchase up to a total of additional shares of our common stock from us at the initial public offering price per share less the underwriting discounts and commissions per share, as set forth on the cover page of this prospectus, and less any dividends or distributions declared, paid or payable on the shares that the underwriters have agreed to purchase from us but that are not payable on such additional shares, to cover over-allotments, if any. If the underwriters exercise this option in whole or in part, then the underwriters will be severally committed, subject to the conditions described in the underwriting agreement, to purchase the additional shares of our common stock in proportion to their respective commitments set forth in the prior table.

Discounts and Commissions

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 and to certain dealers at that price less a concession of not more than $ per share, of which up to $ per share may be reallowed to other dealers. After the initial offering, the public offering price, concession and reallowance to dealers may be changed.

The following table summarizes the underwriting discounts and commissions and the proceeds, before expenses, payable to us, both on a per share basis and in total, assuming either no exercise or full exercise by the underwriters of their over-allotment option:

		Total	
	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discounts and commissions	$	$	$
Proceeds, before expenses, to us	$	$	$

We estimate that the expenses of this offering payable by us, not including underwriting discounts and commissions, will be approximately $. We have agreed to reimburse the underwriters up to $30,000 for expenses relating to the clearance of this offering with the Financial Industry Regulatory Authority.

Certain of our existing stockholders and their affiliated entities, including stockholders affiliated with our directors, have indicated an interest in purchasing up to $ million of shares of our common stock in this offering at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering. The underwriters will receive the same underwriting discount on any shares purchased by these entities as they will on any other shares sold to the public in this offering.

Indemnification of Underwriters

The underwriting agreement provides that we will indemnify the underwriters against specified liabilities, including liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in respect of those liabilities.

Lock-Up Agreements

We, each of our directors and officers, the holders of substantially all of the other shares of our common stock outstanding prior to this offering and the holders of substantially all of our options and warrants outstanding prior to this offering, have agreed, subject to specified exceptions, that, without the prior written consent of Wells Fargo Securities, LLC and Stifel, Nicolaus & Company, Incorporated, we and they will not, during the period beginning on and including the date of this prospectus through and including the date that is the 180th day after the date of this prospectus, directly or indirectly:

- issue (in the case of us), offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock;

- in the case of us, file or cause the filing of any registration statement under the Securities Act with respect to any shares of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock, other than registration statements on Form S-8 filed with the SEC after the closing date of this offering; or

- enter into any swap or other agreement, arrangement, hedge or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences

of ownership of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock,

whether any transaction described in any of the foregoing bullet points is to be settled by delivery of our common stock or other capital stock, other securities, in cash or otherwise, or publicly announce an intention to do any of the foregoing.

Wells Fargo Securities, LLC and Stifel, Nicolaus & Company, Incorporated may in their sole discretion and at any time or from time to time, without notice, release all or any portion of the shares or other securities subject to the lock-up agreements. Any determination to release any shares or other securities subject to the lock-up agreements would be based on a number of factors at the time of determination, which may include the market price of the common stock, the liquidity of the trading market for the common stock, general market conditions, the number of shares or other securities proposed to be sold or otherwise transferred and the timing, purpose and terms of the proposed sale or other transfer.

The NASDAQ Global Market Listing

We have applied to have our common stock listed on The NASDAQ Global Market under the symbol "TCON."

Stabilization

In order to facilitate this offering of our common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of our common stock. Specifically, the underwriters may sell more shares of common stock than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares of common stock available for purchase by the underwriters under the over-allotment option. The underwriters may close out a covered short sale by exercising the over-allotment option or purchasing common stock in the open market. In determining the source of common stock to close out a covered short sale, the underwriters may consider, among other things, the market price of common stock compared to the price payable under the over-allotment option. The underwriters may also sell shares of common stock in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares of common stock 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 common stock in the open market after the date of pricing of this offering that could adversely affect investors who purchase in this offering.

As an additional means of facilitating this offering, the underwriters may bid for, and purchase, common stock in the open market to stabilize the price of our common stock, so long as stabilizing bids do not exceed a specified maximum. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing common stock in this offering if the underwriting syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock.

The foregoing transactions, if commenced, may raise or maintain the market price of our common stock above independent market levels or prevent or retard a decline in the market price of the common stock.

The foregoing transactions, if commenced, may be effected on The NASDAQ Global Market or otherwise. Neither we nor any of the underwriters makes any representation that the underwriters will engage in any of these transactions and these transactions, if commenced, may be discontinued at any time without notice. Neither we nor any of the underwriters makes any

representation or prediction as to the direction or magnitude of the effect that the transactions described above, if commenced, may have on the market price of our common stock.

Discretionary Accounts

The underwriters have informed us that they do not intend to confirm sales to accounts over which they exercise discretionary authority in excess of 5% of the total number of shares of common stock offered by them.

Pricing of this Offering

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for our common stock will be determined between us and the representatives of the underwriters. The factors to be considered in determining the initial public offering price will include:

- prevailing market conditions;
- our results of operations and financial condition;
- financial and operating information and market valuations with respect to other companies that we and the representatives of the underwriters believe to be comparable or similar to us;
- the present state of our development; and
- our future prospects.

An active trading market for our common stock may not develop. It is possible that the market price of our common stock after this offering will be less than the initial public offering price. In addition, the estimated initial public offering price range appearing on the cover of this preliminary prospectus is subject to change as a result of market conditions or other factors.

Concurrent Private Placement

NEA has indicated an interest in purchasing up to approximately $ of shares of our common stock at the initial public offering price in a proposed private placement that would close concurrently with this offering. This indication of interest is not a binding agreement or commitment to purchase, and we could determine to sell more, less or no shares to this stockholder and NEA could determine to purchase more, less or no shares in the proposed concurrent private placement. The underwriters will serve as placement agents for such concurrent private placement and will receive placement agent fees equal to % of the gross sales price of the shares of common stock sold in the concurrent private placement. The closing of this offering is not conditioned upon the closing of such concurrent private placement.

Relationships

The underwriters and/or their respective affiliates may in the future provide various financial advisory, investment banking, commercial banking and other financial services to us, for which they may receive compensation.

Sales Outside the United States

No action has been or will be taken in any jurisdiction (except in the United States) that would permit an initial public offering of the common stock, or the possession, circulation or distribution of this prospectus or any other material relating to us or the common stock in any jurisdiction where action for that purpose is required. Accordingly, the common stock may not

be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the underwriters may arrange to sell common stock offered by this prospectus in certain jurisdictions outside the United States, either directly or through affiliates, where they are permitted to do so. In that regard, Wells Fargo Securities, LLC may arrange to sell shares in certain jurisdictions through an affiliate, Wells Fargo Securities International Limited, or WFSIL. WFSIL is a wholly-owned indirect subsidiary of Wells Fargo & Company and an affiliate of Wells Fargo Securities, LLC. WFSIL is a U.K. incorporated investment firm regulated by the Financial Services Authority. Wells Fargo Securities is the trade name for certain corporate and investment banking services of Wells Fargo & Company and its affiliates, including Wells Fargo Securities, LLC and WFSIL.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares of common stock which are the subject of the offering contemplated by this prospectus (the "Shares") may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives of the underwriters; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71 EC (including the 2010 PD Amending Directive, in the case of Early Implementing Member States) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This prospectus and any other material in relation to the shares described herein 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 Prospective Directive ("qualified investors") that also (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, (ii) who fall within Article 49(2)(a) to (d) of the Order or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The shares are only available to, and any invitation, offer or agreement to purchase or otherwise acquire such shares will be engaged in only with, relevant persons. This offering memorandum 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 person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus or any of its contents.

The distribution of this prospectus in the United Kingdom to anyone not falling within the above categories is not permitted and may contravene the Financial Services and Markets Act of 2000. No person falling outside those categories should treat this prospectus as constituting a promotion to him, or act on it for any purposes whatever. Recipients of this prospectus are advised that we, the underwriters and any other person that communicates this prospectus are not, as a result solely of communicating this prospectus, acting for or advising them and are not responsible for providing recipients of this prospectus with the protections which would be given to those who are clients of any aforementioned entities that is subject to the Financial Services Authority Rules.

France

The prospectus has not been approved either by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*; no security has been offered or sold and will be offered or sold, directly or indirectly, to the public in France within the meaning of Article L. 411-1 of the French *Code Monétaire et Financier* except to permitted investors, or Permitted Investors, consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Articles L. 411-2, D. 411-1, D. 411-2, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*; none of this prospectus supplement and the accompanying Prospectus or any other materials related to the offer or information contained therein relating to our securities has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any securities acquired by any Permitted Investors may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

Notice to the Residents of Germany

This document has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), the German Sales Prospectus Act (*Verkaufsprospektgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt fur Finanzdienstleistungsaufsicht—BaFin*) nor any other German authority has been notified of the intention to distribute the securities in Germany. Consequently, the securities may

not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this document and any other document relating to the offering, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the securities to the public in Germany or any other means of public marketing. The securities are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act. This document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

Switzerland

This document does not constitute a prospectus within the meaning of Art. 652a of the Swiss Code of Obligations. The shares of common stock may not be sold directly or indirectly in or into Switzerland except in a manner which will not result in a public offering within the meaning of the Swiss Code of Obligations. Neither this document nor any other offering materials relating to the shares of common stock may be distributed, published or otherwise made available in Switzerland except in a manner which will not constitute a public offer of the shares of common stock in Switzerland.

LEGAL MATTERS

The validity of the issuance of our common stock offered in this prospectus will be passed upon for us by Cooley LLP, San Diego, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP, San Diego, California.

EXPERTS

Ernst & Young LLP, an independent registered public accounting firm, has audited our financial statements at December 31, 2012 and 2013, and for each of the years then ended. We have included our financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1, including exhibits and schedules, under the Securities Act, with respect to the shares of common stock being offered by this prospectus. This prospectus, which constitutes part of the registration statement, 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. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street, NE, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You may also request a copy of these filings, at no cost, by writing us at 8910 University Center Lane, Suite 700, San Diego, California 92122, or telephoning us at (858) 550-0780.

Upon the closing 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 for inspection and copying at the public reference room and web site of the SEC referred to above. We also maintain a website at www.traconpharma.com, at which, following the closing of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on or accessible through our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only.

TRACON Pharmaceuticals, Inc.

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
TRACON Pharmaceuticals, Inc.

We have audited the accompanying balance sheets of TRACON Pharmaceuticals, Inc. as of December 31, 2012 and 2013, and the related statements of operations, redeemable convertible preferred stock and stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRACON Pharmaceuticals, Inc. at December 31, 2012 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

San Diego, California
August 8, 2014

TRACON Pharmaceuticals, Inc.
Balance Sheets
(in thousands, except share and per share data)

	December 31,		September 30, 2014	Pro Forma September 30, 2014
	2012	2013	(unaudited)	(unaudited)
Assets				
Current assets:				
Cash	$ 2,459	$ 2,276	$ 39,207	
Prepaid and other assets	124	99	357	
Total current assets	2,583	2,375	39,564	
Property and equipment, net	20	20	53	
Other assets	8	24	1,689	
Total assets	$ 2,611	$ 2,419	$ 41,306	
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Deficit				
Current liabilities:				
Accounts payable and accrued expenses	$ 667	$ 1,273	$ 3,524	
Current portion of deferred revenue	—	—	4,385	
Preferred stock warrant liabilities	—	97	235	$ —
Long-term debt, current portion	—	677	4,009	
Total current liabilities	667	2,047	12,153	
Deferred rent	4	12	38	
Deferred revenue	—	—	3,286	
Accrued expenses	—	11	222	
Preferred stock purchase rights	534	—	—	
Long-term debt, less current portion	—	1,764	5,455	
Commitments and contingencies (Note 5)				
Redeemable convertible preferred stock, $0.001 par value; authorized shares—12,500,000 at December 31, 2012 and 2013 and 24,900,000 at September 30, 2014 (unaudited); issued and outstanding shares—10,250,000, 12,249,999 and 24,650,273 at December 31, 2012 and 2013 and September 30, 2014 (unaudited), respectively; liquidation preference of $49,000 and $51,700 at December 31, 2013 and September 30, 2014 (unaudited), respectively; no shares issued and outstanding, pro forma (unaudited)	19,069	23,929	49,801	—
Stockholders' deficit:				
Common stock, $0.001 par value; authorized shares—25,000,000 at December 31, 2012 and 2013 and 40,000,000 at September 30, 2014 (unaudited); issued and outstanding—6,249,859 at December 31, 2012 and 2013 and 6,282,323 at September 30, 2014 (unaudited); 30,932,596 shares issued and outstanding, pro forma (unaudited)	6	6	6	31
Additional paid-in capital	1,994	2,021	1,976	51,987
Accumulated deficit	(19,663)	(27,371)	(31,631)	(31,631)
Total stockholders' deficit	(17,663)	(25,344)	(29,649)	$ 20,387
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 2,611	$ 2,419	$ 41,306	

See accompanying notes.

TRACON Pharmaceuticals, Inc.
Statements of Operations
(in thousands, except share and per share data)

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2013	2013	2014
			(unaudited)	
Collaboration revenue	$ —	$ —	$ —	$ 2,558
Operating expenses:				
Research and development	3,777	6,076	4,316	5,090
General and administrative	1,449	1,484	1,096	1,394
Total operating expenses	5,226	7,560	5,412	6,484
Loss from operations	(5,226)	(7,560)	(5,412)	(3,926)
Other income (expense):				
Interest expense	—	(30)	—	(382)
Change in fair value of preferred stock purchase rights	298	(84)	(84)	—
Change in fair value of preferred stock warrant liabilities	—	(34)	—	48
Total other income (expense)	298	(148)	(84)	(334)
Net loss	(4,928)	(7,708)	(5,496)	(4,260)
Accretion to redemption value of redeemable convertible preferred stock	(216)	(248)	(183)	(202)
Net loss attributable to common stockholders	$ (5,144)	$ (7,956)	$ (5,679)	$ (4,462)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.82)	$ (1.27)	$ (0.91)	$ (0.71)
Weighted-average shares outstanding, basic and diluted	6,249,859	6,249,859	6,249,859	6,250,062
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		$ (0.43)		$ (0.23)
Pro forma weighted-average shares outstanding, basic and diluted (unaudited)		17,760,132		18,999,706

See accompanying notes.

TRACON Pharmaceuticals, Inc.
Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit
(in thousands, except share and per share data)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance at December 31, 2011	8,250,000	$ 14,556	6,249,859	$ 6	$ 2,152	$ (14,735)	$ (12,577)
Issuance of Series A redeemable convertible preferred stock in July 2012 for cash of $2.00 per share, net of offering costs of $26 and preferred stock purchase rights of $323	2,000,000	4,297	—	—	—	—	—
Accretion to redemption value of redeemable convertible preferred stock	—	216	—	—	(216)	—	(216)
Stock-based compensation	—	—	—	—	58	—	58
Net loss	—	—	—	—	—	(4,928)	(4,928)
Balance at December 31, 2012	10,250,000	19,069	6,249,859	6	1,994	(19,663)	(17,663)
Issuance of Series A redeemable convertible preferred stock in May 2013 for cash of $2.00 per share, net of offering costs of $6 and preferred stock purchase rights of $618	1,999,999	4,612	—	—	—	—	—
Accretion to redemption value of redeemable convertible preferred stock	—	248	—	—	(248)	—	(248)
Stock-based compensation	—	—	—	—	275	—	275
Net loss	—	—	—	—	—	(7,708)	(7,708)
Balance at December 31, 2013	12,249,999	23,929	6,249,859	6	2,021	(27,371)	(25,344)
Issuance of Series B redeemable convertible preferred stock in September for cash of $2.1935 per share, net of offering costs of $1,530 (unaudited)	12,400,274	25,670	—	—	—	—	—
Accretion to redemption value of redeemable convertible preferred stock (unaudited)	—	202	—	—	(202)	—	(202)
Exercise of common stock options (unaudited)	—	—	32,464	—	2	—	2
Stock-based compensation (unaudited)	—	—	—	—	155	—	155
Net loss (unaudited)	—	—	—	—	—	(4,260)	(4,260)
Balance at September 30, 2014 (unaudited)	24,650,273	$ 49,801	6,282,323	$ 6	$ 1,976	$ (31,631)	$ (29,649)

See accompanying notes.

TRACON Pharmaceuticals, Inc.
Statements of Cash Flows
(in thousands)

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2013	2013	2014
			(unaudited)	
Cash flows from operating activities				
Net loss	$ (4,928)	$ (7,708)	$ (5,496)	$ (4,260)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Stock-based compensation	58	275	227	155
Depreciation and amortization	6	7	5	8
Amortization of debt discount	—	4	—	61
Noncash interest	—	22	—	161
Change in fair value of preferred stock warrant liability	—	34	—	(48)
Change in fair value of preferred stock purchase rights	(298)	84	84	—
Deferred rent	—	8	3	26
Deferred revenue	—	—	—	7,671
Changes in assets and liabilities:				
Prepaid expenses and other assets	(74)	9	8	(1,100)
Accounts payable and accrued expenses	(195)	595	385	2,251
Net cash (used in) provided by operating activities	(5,431)	(6,670)	(4,784)	4,925
Cash flows from investing activities				
Purchase of property and equipment	(10)	(7)	(5)	(41)
Net cash used in investing activities	(10)	(7)	(5)	(41)
Cash flows from financing activities				
Proceeds from long-term debt	—	2,500	—	7,500
Repayment of long-term debt	—	—	—	(352)
Proceeds from sale of preferred stock, net of offering costs	3,974	3,994	3,994	25,670
Proceeds from exercise of common stock options	—	—	—	52
Costs paid in connection with initial public offering	—	—	—	(823)
Net cash provided by financing activities	3,974	6,494	3,994	32,047
Net (decrease) increase in cash	(1,467)	(183)	(795)	36,931
Cash at beginning of period	3,926	2,459	2,459	2,276
Cash at end of period	$ 2,459	$ 2,276	$ 1,664	$ 39,207
Supplemental disclosure of cash flow information				
Interest paid	$ —	$ 4	$ —	$ 141
Supplemental schedule of noncash investing and financing activities				
Exercise of stock right for preferred stock	$ 323	$ 618	$ 618	$ —
Issuance of preferred stock warrants in connection with long-term debt	$ —	$ 63	$ —	$ 186

See accompanying notes.

TRACON Pharmaceuticals, Inc.
Notes to Financial Statements
(Information as of September 30, 2014 and thereafter and for the nine months ended September 30, 2013 and 2014 is unaudited)

1. Organization and Summary of Significant Accounting Policies

Organization and Business

TRACON Pharmaceuticals, Inc. (formerly Lexington Pharmaceuticals, Inc.) (TRACON or the Company) was incorporated in the state of Delaware on October 28, 2004. TRACON is a clinical stage biopharmaceutical company focused on the development and commercialization of novel targeted therapeutics for cancer, age-related macular degeneration and fibrotic diseases. The Company's research focuses on antibodies that bind to the endoglin receptor, which is essential to angiogenesis (the process of new blood vessel formation) and a key contributor to fibrosis (tissue scarring).

Liquidity

The Company has a limited operating history and the revenue and income potential of the Company's business and market are unproven. The Company has experienced net losses and, with the exception of the nine months ended September 30, 2014, negative cash flows from operating activities since its inception. The Company expects to continue to incur net losses and negative cash flows from operating activities into the foreseeable future. Successful transition to attaining profitable operations is dependent upon achieving a level of revenue adequate to support the Company's cost structure.

The Company plans to continue to fund its losses from operations and capital funding needs through public or private equity or debt financings or other sources. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations and future prospects.

Use of Estimates

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of the Company's financial statements requires it to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the Company's financial statements and accompanying notes. The most significant estimates in the Company's financial statements relate to revenue recognition and the valuation of equity awards. Although these estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results may ultimately materially differ from these estimates and assumptions.

Unaudited Interim Financial Information

The accompanying interim balance sheet as of September 30, 2014 and the statements of operations and cash flows for the nine months ended September 30, 2013 and 2014 and the statements of redeemable convertible preferred stock and stockholders' deficit for the nine months ended September 30, 2014 and the related footnote disclosures are unaudited. These unaudited interim financial statements have been prepared in accordance with GAAP. In management's opinion, the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, which include only

TRACON Pharmaceuticals, Inc.
Notes to Financial Statements—(Continued)
(Information as of September 30, 2014 and thereafter and for the nine months ended September 30, 2013 and 2014 is unaudited)

normal recurring adjustments, necessary for the fair presentation of the Company's financial position as of September 30, 2014 and its results of operations and its cash flows for the nine months ended September 30, 2013 and 2014. The results for the nine months ended September 30, 2014 are not necessarily indicative of the results expected for the full fiscal year or any other period.

Unaudited Pro Forma Balance Sheet Information

The unaudited pro forma balance sheet information as of September 30, 2014 assumes the conversion of all outstanding shares of the Series A and Series B redeemable convertible preferred stock (together, redeemable convertible preferred stock) into 24,650,273 shares of the Company's common stock and the related reclassification of the carrying value of the redeemable convertible preferred stock and preferred stock warrant liabilities to additional paid-in capital upon completion of the Company's initial public offering (IPO). Shares of common stock issued in such IPO and any related net proceeds are excluded from the pro forma information.

Cash

The Company considers all highly liquid investments that have maturities of three months or less when purchased to be cash equivalents. The Company maintains its cash in a bank deposit account. As of December 31, 2012 and 2013 and September 30, 2014, the Company held no cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful life of the related assets, which is generally five years.

Other Assets

Other assets primarily consist of the Company's deferred IPO costs. These costs represent legal, accounting and other direct costs related to the Company's efforts to raise capital through a public sale of its common stock. Future costs will be deferred until the completion of the IPO, at which time they will be reclassified to additional paid-in capital as a reduction of the IPO proceeds.

Deferred Rent

Rent expense is recorded on a straight-line basis over the term of the lease. The difference between rent expense and amounts paid under the lease agreements is recorded as deferred rent in the accompanying balance sheets.

TRACON Pharmaceuticals, Inc.
Notes to Financial Statements—(Continued)
(Information as of September 30, 2014 and thereafter and for the nine months ended September 30, 2013 and 2014 is unaudited)

Preferred Stock Warrant Liabilities

The Company has issued freestanding warrants to purchase shares of its Series A redeemable convertible preferred stock. Since the underlying Series A redeemable convertible preferred stock is classified outside of permanent equity, these preferred stock warrants are classified as liabilities in the accompanying balance sheets. The Company adjusts the carrying value of such preferred stock warrants to their estimated fair value at each reporting date, with any related increases or decreases in the fair value recorded as an increase or decrease to other income (expense) in the statements of operations. The preferred stock warrant liabilities will continue to be adjusted to fair value until such time as the preferred stock warrants are no longer outstanding or the underlying securities are no longer redeemable outside the control of the Company, including the completion of the IPO.

Revenue Recognition

The Company's revenue is derived from its license agreement with Santen Pharmaceutical Co., Ltd. (Santen) as described in Note 7. The Company recognizes revenue when all four of the following criteria are met: (1) there is persuasive evidence that an arrangement exists; (2) delivery of the products and/or services has occurred; (3) the selling price is fixed or determinable; and (4) collectibility is reasonably assured. Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue. Amounts not expected to be recognized as revenue within the 12 months following the balance sheet date are classified as long-term deferred revenue.

The Company evaluates multiple-element arrangements to determine: (1) the deliverables included in the arrangement and (2) whether the individual deliverables represent separate units of accounting or whether they must be accounted for as a combined unit of accounting. Deliverables are considered separate units of accounting provided that: (a) the delivered items have value to the customer on a standalone basis and (b) if the arrangement includes a general right of return relative to the delivered items, delivery or performance of the undelivered items is considered probable and substantially in the Company's control. In assessing whether an item has standalone value, the Company considers factors such as the research, manufacturing and commercialization capabilities of the partner and the availability of the associated expertise in the general marketplace. In addition, the Company considers whether the partner can use the other deliverables for their intended purpose without the receipt of the remaining elements, whether the value of the deliverable is dependent on the undelivered items and whether there are other vendors that can provide the undelivered elements.

Arrangement consideration that is fixed or determinable is allocated among the separate units of accounting using the relative selling price method. The Company uses the following hierarchy of values to estimate the selling price of each deliverable: (1) vendor-specific objective evidence of fair value; (2) third-party evidence of selling price; and (3) best estimate of selling price (BESP). The BESP reflects the Company's best estimate of what the selling price would be if the Company regularly sold the deliverable on a standalone basis. In developing the BESP for a unit of accounting, the Company considers applicable market conditions and relevant entity-specific factors, including factors that are contemplated in negotiating an arrangement and estimated costs. The Company validates the BESP for units of accounting by evaluating whether changes in the key assumptions used to determine the BESP will have a significant effect on the allocation of arrangement consideration between multiple units of accounting.

TRACON Pharmaceuticals, Inc.
Notes to Financial Statements—(Continued)
(Information as of September 30, 2014 and thereafter and for the nine months ended September 30, 2013 and 2014 is unaudited)

The Company then applies the applicable revenue recognition criteria to each of the separate units of accounting in determining the appropriate period and pattern of recognition. If there is no discernible pattern of performance and/or objectively measurable performance measures do not exist, then the Company recognizes revenue under the arrangement on a straight-line basis over the period the Company expects to complete its performance obligations.

With respect to revenue derived from reimbursement of direct, out-of-pocket expenses for research and development costs associated with collaborations, where the Company acts as a principal with discretion to choose suppliers, bear credit risk, and perform part of the services required in the transaction, the Company records revenue for the gross amount of the reimbursement. The costs associated with these reimbursements are reflected as a component of research and development expense in the statements of operations.

Milestones

The Company uses the milestone method of accounting and revenue is recognized when earned, as evidenced by written acknowledgement from the collaborator or other persuasive evidence that the milestone has been achieved and the payment is non-refundable, provided that the milestone event is substantive. A milestone event is defined as an event: (1) that can only be achieved based in whole or in part on either the Company's performance or on the occurrence of a specific outcome resulting from the Company's performance; (2) for which there is substantive uncertainty at the inception of the arrangement that the event will be achieved; and (3) that would result in additional payments being due to the Company. Events for which the occurrence is either contingent solely upon the passage of time or the result of a counterparty's performance are not considered to be milestone events. A milestone event is substantive if all of the following conditions are met: (a) the consideration is commensurate with either the Company's performance to achieve the milestone, or the enhancement of the value to the delivered item(s) as a result of a specific outcome resulting from the Company's performance to achieve the milestone; (b) the consideration relates solely to past performance; and (c) the consideration is reasonable relative to all the deliverables and payment terms (including other potential milestone consideration) within the arrangement.

The Company assesses whether a milestone is substantive at the inception of each arrangement. If a milestone is deemed non-substantive, the Company will account for that milestone payment in accordance with the multiple element arrangements guidance and recognize it consistent with the related units of accounting for the arrangement over the related performance period.

Research and Development Costs

Research and development costs, including license fees, are expensed as incurred.

Patent Costs

Costs related to filing and pursuing patent applications are recorded as general and administrative expense and expensed as incurred since recoverability of such expenditures is uncertain.

TRACON Pharmaceuticals, Inc.
Notes to Financial Statements—(Continued)
(Information as of September 30, 2014 and thereafter and for the nine months ended September 30, 2013 and 2014 is unaudited)

Stock-Based Compensation

Stock-based compensation expense represents the grant date fair value of employee stock option grants recognized as expense over the requisite service period of the awards (usually the vesting period) on a straight-line basis, net of estimated forfeitures. The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model.

The Company accounts for stock options granted to non-employees using the fair value approach. These option grants, if any, are subject to periodic revaluation over their vesting terms.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date.

The Company recognizes net deferred tax assets to the extent that the Company believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and results of recent operations. If management determines that the Company would be able to realize its deferred tax assets in the future in excess of their net recorded amount, management would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) management determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, management recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense. Any accrued interest and penalties are included within the related tax liability.

In July 2013, the Financial Accounting Standards Board (FASB) issued guidance that requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, unless an exception applies. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2013. The Company early adopted this guidance for the year ended December 31, 2013, which is reflected in the financial statements as of and for the year ended December 31, 2013. There was no material impact on the financial statements upon adoption.

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Comprehensive Loss

Comprehensive loss is defined as a change in equity during a period from transactions and other events and circumstances from non-owner sources. Net loss and comprehensive loss were the same for all periods presented.

Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average shares of common stock outstanding for the period, without consideration for common stock equivalents and adjusted for the weighted-average number of common shares outstanding that are subject to repurchase. The Company has excluded 4,672 weighted-average shares subject to repurchase from the weighted-average number of common shares outstanding for the nine months ended September 30, 2014 and had no common shares subject to repurchase in the other periods presented. Diluted net loss per share is calculated by dividing the net loss by the weighted-average number of common stock equivalents outstanding for the period determined using the treasury-stock method. Dilutive common stock equivalents are comprised of redeemable convertible preferred stock, warrants for the purchase of redeemable convertible preferred stock and options outstanding under the Company's stock option plan. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

Potentially dilutive securities not included in the calculation of diluted net loss per share because to do so would be anti-dilutive are as follows (in common stock equivalent shares):

	December 31,		September 30,	
	2012	2013	2013	2014
Redeemable convertible preferred stock outstanding	10,250,000	12,249,999	12,249,999	24,650,273
Preferred stock warrants	—	37,500	—	150,000
Common stock options	1,449,981	2,651,292	2,611,763	2,743,997
	11,699,981	14,938,791	14,861,762	27,544,270

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Unaudited Pro Forma Net Loss Per Share

The following table summarizes our unaudited pro forma net loss per share (in thousands, except share and per share data):

	Year Ended December 31, 2013	Nine Months Ended September 30, 2014
		(unaudited)
Numerator:		
Net loss attributable to common stockholders	$ (7,956)	$ (4,462)
Change in fair value of preferred stock warrant liabilities	34	(48)
Accretion to redemption value of redeemable convertible preferred stock	248	202
Pro forma net loss attributable to common stockholders	$ (7,674)	$ (4,308)
Denominator:		
Weighted-average shares outstanding, basic and diluted	6,249,859	6,250,062
Pro forma adjustments to reflect assumed weighted-average effect of conversion of redeemable convertible preferred stock	11,510,273	12,749,644
Pro forma weighted-average shares outstanding, basic and diluted	17,760,132	18,999,706
Pro forma net loss per share attributable to common stockholders, basic and diluted	$ (0.43)	$ (0.23)

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business in one operating segment.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which converges the FASB and the International Accounting Standards Board standard on revenue recognition. Areas of revenue recognition that will be affected include, but are not limited to, transfer of control, variable consideration, allocation of transfer pricing, licenses, time value of money, contract costs and disclosures. This guidance is effective for the fiscal years and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact that the adoption of ASU 2014-09 will have on its financial statements and related disclosures.

In June 2014, the FASB issued ASU No. 2014-10, *Development Stage Entities (Topic 915) Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable*

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Interest Entities Guidance in Topic 810, Consolidation. This ASU does the following, among other things: (1) eliminates the requirement to present inception-to-date information on the statements of income, cash flows, and stockholders' equity; (2) eliminates the need to label the financial statements as those of a development stage entity; (3) eliminates the need to disclose a description of the development stage activities in which the entity is engaged; and (4) amends FASB Accounting Standards Codification (ASC) 275, *Risks and Uncertainties*, to clarify that information on risks and uncertainties for entities that have not commenced planned principal operations is required. The amendments in ASU No. 2014-10 related to the elimination of Topic 915 disclosures and the additional disclosure for Topic 275 are effective for public companies for annual and interim reporting periods beginning after December 15, 2014. Early adoption is permitted. The Company has early adopted this new guidance in its financial statements for the year ended December 31, 2013, and therefore has not labeled its financial statements as those of a development stage entity or included the previously required inception-to-date information.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to evaluate relevant conditions, events and certain management plans that are known or reasonably knowable that when, considered in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued, for both annual and interim periods. ASU 2014-15 also requires certain disclosures around management's plans and evaluation, as well as the plans, if any, that are intended to mitigate those conditions or events that will alleviate the substantial doubt. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The Company is currently evaluating the impact that the adoption of ASU 2014-15 will have on its financial statements and related disclosures.

2. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31,		September 30,
	2012	2013	2014
Computer and office equipment	$ 96	$ 101	$ 134
Furniture and fixtures	15	17	25
	111	118	159
Less accumulated depreciation and amortization	(91)	(98)	(106)
	$ 20	$ 20	$ 53

Depreciation expense related to property and equipment amounted to $6,000, $7,000, $5,000 and $8,000 for the years ended December 31, 2012 and 2013 and the nine months ended September 30, 2013 and 2014, respectively.

3. Fair Value Measurements

The carrying amounts of prepaid and other assets, accounts payable and accrued liabilities are considered to be representative of their respective fair values because of the short-term nature of those instruments. Based on the borrowing rates currently available to the Company for loans with similar terms, which is considered a Level 2 input, the Company believes that the

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fair value of long-term debt approximates its carrying value. Preferred stock warrant liabilities and preferred stock purchase rights are recorded at fair value.

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

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company has no financial assets that are measured at fair value on a recurring basis. Financial liabilities that are measured at fair value on a recurring basis include the preferred stock warrant liabilities and preferred stock purchase rights. None of the Company's non-financial assets or liabilities are recorded at fair value on a non-recurring basis. No transfers between levels have occurred during the periods presented.

Liabilities measured at fair value on a recurring basis are as follows (in thousands):

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2014:				
Preferred stock warrant liabilities	$ 235	$ —	$ —	$ 235
As of December 31, 2013:				
Preferred stock warrant liabilities	$ 97	$ —	$ —	$ 97
As of December 31, 2012:				
Preferred stock purchase rights	$ 534	$ —	$ —	$ 534

All preferred stock warrants are recorded at fair value utilizing the Black-Scholes option pricing model using significant unobservable inputs consistent with the inputs used for the Company's stock-based compensation expense adjusted for the preferred stock warrants' expected life. The preferred stock purchase rights were recorded at fair value based on the valuation model discussed in Note 6.

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The following table provides a reconciliation of all liabilities measured at fair value using Level 3 significant unobservable inputs (in thousands):

	Warrant Liabilities	Preferred Stock Purchase Rights
Balance at December 31, 2011	$ —	$ 1,155
Exercise of preferred stock purchase rights	—	(323)
Change in fair value	—	(298)
Balance at December 31, 2012	—	534
Exercise of preferred stock purchase rights	—	(618)
Issuance of preferred stock warrants	63	—
Change in fair value	34	84
Balance at December 31, 2013	97	—
Issuance of preferred stock warrants	186	—
Change in fair value	(48)	—
Balance at September 30, 2014	$ 235	$ —

4. Long-Term Debt

Long-term debt and unamortized debt discount balances are as follows (in thousands):

	December 31, 2013	September 30, 2014
Long-term debt	$ 2,500	$ 9,648
Less debt discount, net of current portion	(25)	(56)
Long-term debt, net of debt discount	2,475	9,592
Less current portion of long-term debt	(711)	(4,137)
Long-term debt, net of current portion	$ 1,764	$ 5,455
Current portion of long-term debt	$ 711	$ 4,137
Current portion of debt discount	(34)	(128)
Current portion of long-term debt, net	$ 677	$ 4,009

In November 2013, the Company borrowed $2.5 million under a loan and security agreement with Silicon Valley Bank (SVB Loan). There is no remaining available credit under the SVB Loan. The Company is obligated to make interest-only payments through May 2014 and, beginning in June 2014, equal payments of principal and interest through the maturity date of August 1, 2016. The interest rate is a per annum fixed rate of 5.0%. The final payment due includes an additional fee of 7.0% of the loan amount, or $0.2 million, which is being accreted over the term of the debt using the effective interest method and is included in interest expense. The loan is collateralized by all assets of the Company, other than intellectual property. The SVB Loan contains customary conditions of borrowing, events of default and covenants, including covenants that restrict the Company's ability to dispose of assets, merge with or acquire other entities, incur indebtedness and make distributions to holders of the Company's capital stock.

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Should an event of default occur, including the occurrence of a material adverse change, the Company could be liable for immediate repayment of all obligations under the SVB Loan.

In November 2013, in connection with the SVB Loan, the Company issued a warrant to purchase 37,500 shares of Series A redeemable convertible preferred stock at an exercise price of $2.00 per share. The warrant is fully exercisable and expires on November 14, 2023. The initial fair value of the warrant as of the issuance date was estimated to be $0.1 million, based on the application of the Black-Scholes option pricing model, and this discount is amortized to interest expense using the effective interest method over the term of the debt.

In June 2014, the Company entered into an amended loan and security agreement with SVB (the Amended SVB Loan). The amendment did not modify the repayment terms of the $2.5 million previously borrowed under the SVB Loan. The Amended SVB Loan provided the Company with a new $7.5 million growth capital loan facility, available to the Company in two advances at a per annum fixed interest rate of 4.5%. The first advance of $5.0 million was drawn in conjunction with securing the Amended SVB Loan in June 2014. The second advance of $2.5 million was drawn in September 2014. The Company is obligated to make interest-only payments on all outstanding advances under the Amended SVB Loan through November 30, 2014, and subsequently obligated to make monthly principal and interest payments to fully amortize the outstanding balance through the November 1, 2016 maturity date. The final payment due includes an additional fee of 9.0% of all growth capital advances, or $0.7 million, which is being accreted over the term of the debt using the effective interest method and is included in interest expense. The prepayment of loan amounts are subject to additional fees.

In June 2014, in connection with the Amended SVB Loan, the Company issued a warrant to purchase 112,500 shares of Series A redeemable convertible preferred stock at an exercise price of $2.00 per share. The warrant is fully exercisable and expires on June 4, 2024. The initial fair value of the warrant as of the issuance date was estimated to be $0.2 million, based on the application of the Black-Scholes option pricing model, and this discount is amortized to interest expense using the effective interest method over the term of the debt.

Future minimum principal and interest payments under the SVB Loan, including the final payment, as of December 31, 2013 and September 30, 2014, are as follows (in thousands):

	December 31, 2013	September 30, 2014
2014	$ 740	$ 672
2015	1,178	5,109
2016	960	5,239
	2,878	11,020
Less interest and final payment	(378)	(1,372)
Long-term debt	$ 2,500	$ 9,648

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5. Commitments and Contingencies

Facility Lease

The Company leases its office space under a non-cancelable operating lease that expires in April 2017. The lease is subject to base lease payments and additional charges for common area maintenance and other costs. Rent expense for each of the years ended December 31, 2012 and 2013 and the nine months ended September 30, 2013 and 2014 was $0.1 million.

Future minimum payments under the non-cancelable operating lease as of December 31, 2013 are as follows (in thousands):

	Operating Lease
2014	$ 102
2015	131
2016	136
2017	47
	$ 416

In September 2014, the Company amended its facility lease to add additional office space. The Company's total future minimum payments under the agreement increased by approximately $0.2 million and the April 2017 expiration date remained unchanged.

License Agreements

The Company has entered into various license agreements pursuant to which the Company acquired licenses to certain intellectual property. The agreements generally required an upfront license fee and, in some cases, reimbursement of patent costs. Additionally, under each agreement, the Company may be required to pay annual maintenance fees, royalties, milestone payments and sublicensing fees. Each of the license agreements is generally cancelable by the Company, given appropriate prior written notice. Potential future milestone payments under these agreements total an aggregate of approximately $22.1 million.

6. Redeemable Convertible Preferred Stock and Stockholders' Deficit

Redeemable Convertible Preferred Stock

The Company classifies its redeemable convertible preferred stock outside of permanent equity since such stock is contractually redeemable outside of the Company's control. As a result, the carrying value is increased to its redemption value by periodic accretion charges over the estimated redemption period. In the absence of retained earnings, these accretion charges are recorded against additional paid-in capital.

In March 2011, the Company received commitments for the sale of 12,249,999 shares of Series A redeemable convertible preferred stock at $2.00 per share, with gross proceeds of $24.5 million. The Company sold 7,000,001 shares in March 2011 (Initial Closing) for gross proceeds of $14.0 million, and 1,249,999 shares were issued related to the conversion of $2.5 million in debt and accrued interest in the Initial Closing. Included in the terms of the Series A preferred stock purchase agreement were certain rights granted to the holders of the

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original Series A redeemable convertible preferred stock issued in the Initial Closing that obligated the Company to deliver an additional 4,000,000 shares at $2.00 per share within 12 months of the Initial Closing (Second Closing). The Company determined that its obligation to issue additional shares of the Company's Series A redeemable convertible preferred stock represented a freestanding financial instrument that required liability accounting. This freestanding preferred stock purchase right liability was initially recorded at fair value, with fair value changes recognized as increases in or decreases to the change in fair value of preferred stock purchase rights in the statements of operations.

The estimated fair value of the preferred stock purchase rights was determined using a valuation model that considered the probability of achieving a milestone, if any, the entity's cost of capital, the estimated time period the preferred stock right would be outstanding, consideration received for the Series A redeemable convertible preferred stock, the number of shares to be issued to satisfy the preferred stock purchase right and at what price, and any changes in the fair value of the underlying Series A redeemable convertible preferred stock. As of the Initial Closing, the estimated fair value of the preferred stock purchase rights was determined to be $1.1 million. The Company revalued the preferred stock purchase rights to $1.2 million at December 31, 2011 and recorded the $0.1 million increase in fair value as other expense in the statement of operations.

In July 2012, the Company amended and restated the Series A preferred stock purchase agreement to extend and modify the Second Closing to provide instead for two closings of 2,000,000 shares each at $2.00 per share, with the first of the two closings to occur prior to July 13, 2012. In July 2012, the Company issued an additional 2,000,000 shares of Series A redeemable convertible preferred stock for $2.00 per share to current investors. The Company revalued the preferred stock purchase rights in July 2012 to account for the change in fair value at the date of the amendment and recorded other income of $0.3 million in the statement of operations. The Company revalued the remaining preferred stock purchase rights related to the third closing at December 31, 2012, at $0.5 million and recorded $15,000 of other expense in the statement of operations. In May 2013, the Company issued an additional 1,999,999 shares of Series A redeemable convertible preferred stock for $2.00 per share to current investors. The Company revalued the preferred stock purchase rights in May 2013 to account for the change in fair value at the date of the final closing and recorded the $0.1 million increase in fair value as other expense in the statement of operations.

In September 2014, the Company amended and restated its restated certificate of incorporation to, among other things, (1) increase its authorized shares of common stock from 25,000,000 to 40,000,000 shares, (2) increase its authorized shares of preferred stock from 12,500,000 to 24,900,000 shares, of which 12,500,000 shares are designated as Series B redeemable convertible preferred stock, and (3) set forth the rights, preferences and privileges of the Series B redeemable convertible preferred stock.

In September 2014, pursuant to a Series B stock purchase agreement, the Company issued an aggregate of 12,400,274 shares of its Series B redeemable convertible preferred stock at a purchase price of approximately $2.19 per share, for aggregate consideration of $27.2 million. In connection with the sale of the Series B redeemable convertible preferred stock, the Company paid Brookline Group, LLC, an affiliate of a holder of more than five percent of the Company's common stock, a fee totaling approximately $96,000 as consideration for acting as a nonexclusive placement agent for the Series B preferred stock financing.

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At September 30, 2014, the authorized, issued and outstanding shares of redeemable convertible preferred stock by series were as follows (in thousands, except share and per share data):

	Shares		Liquidation Preference Per Share	Liquidation Preference and Redemption Value	Carrying Value
	Authorized	Outstanding			
Series A	12,400,000	12,249,999	$ 2.00	$ 24,500	$ 24,119
Series B	12,500,000	12,400,274	2.19	27,200	25,682
	24,900,000	24,650,273		$ 51,700	$ 49,801

The redeemable convertible preferred stock has the following characteristics:

Dividends

The holders of the Series A and Series B redeemable convertible preferred stock are entitled to receive noncumulative dividends at an annual rate of $0.16 per share and $0.17548 per share, respectively. The redeemable convertible preferred stock dividends are payable when and if declared by the board of directors. The redeemable convertible preferred stock dividends are payable in preference and in priority to any dividends on common stock. There have been no dividends declared through September 30, 2014.

Liquidation

In the event of any liquidation, dissolution, or winding up of the Company, the holders of Series B redeemable convertible preferred stock will be entitled to receive, in preference to the holders of Series A redeemable convertible preferred stock and common stock, the amount of $2.1935 per share, plus declared and unpaid dividends, if any. After the holders of Series B redeemable convertible preferred stock have received their full liquidation preference, the holders of Series A redeemable convertible preferred stock will be entitled to receive, in preference to the holders of common stock, the amount of $2.00 per share, plus declared and unpaid dividends, if any. Thereafter, any remaining assets of the Company will be distributed pro rata based on the number of shares of common stock held by each stockholder, treating each share of redeemable convertible preferred stock as if it were converted into shares of common stock at the then-applicable conversion rate.

Redemption

At any time on or after September 19, 2019, the holders of at least a majority of the then-outstanding shares of redeemable convertible preferred stock may require the Company to redeem all of the outstanding shares of Series A and Series B redeemable convertible preferred stock by payment in cash, in three annual installments, of $2.00 per share and $2.1935 per share, respectively, plus an amount equal to any declared but unpaid dividends on such shares of Series A and Series B redeemable convertible preferred stock in exchange for the Series A and Series B redeemable convertible preferred stock to be redeemed.

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Conversion

Each share of redeemable convertible preferred stock is convertible into one share of common stock. Each share of redeemable convertible preferred stock will be automatically converted into common stock immediately upon the earlier of (1) the Company's sale of its common stock in a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended, in which the gross cash proceeds are at least $30.0 million or (2) the date specified by written consent or agreement of the holders of a majority of the then-outstanding shares of redeemable convertible preferred stock voting together as a class.

Voting

The holders of redeemable convertible preferred stock are entitled to one vote for each share of common stock into which such redeemable convertible preferred stock could then be converted; and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of common stock. Also, the preferred stockholders have been granted certain rights with regard to the election of members of the Company's board of directors and various other corporate actions.

Stock Option Plan

On August 10, 2011, the Company adopted the TRACON Pharmaceuticals, Inc. 2011 Equity Incentive Plan (the 2011 Plan), and, as amended, reserved 4,144,681 shares of common stock for issuance pursuant to the 2011 Plan.

The 2011 Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights (SARs), restricted stock grants and restricted stock units to eligible recipients. Recipients of incentive stock options are eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of options granted under the 2011 Plan is no more than ten years. Grants generally vest on the last day of each month over 48 months from the vesting commencement date.

Stock option activity under the 2011 Plan is summarized as follows:

	Number of Options	Weighted-Average Exercise Price
Balance at December 31, 2012	1,449,981	$ 0.18
Granted	1,201,311	0.35
Balance at December 31, 2013	2,651,292	0.26
Granted	272,248	1.39
Canceled	(147,079)	0.25
Exercised	(32,464)	1.61
Balance at September 30, 2014	2,743,997	0.35

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Information about the Company's outstanding stock options is as follows (in thousands, except share and per share data and contractual term):

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
September 30, 2014:				
Options outstanding	2,743,997	$ 0.35	7.89	$ 4,027
Options vested and expected to vest	2,743,997	$ 0.35	7.89	$ 4,027
Options exercisable	1,638,727	$ 0.23	7.42	$ 2,607
December 31, 2013:				
Options outstanding	2,651,292	$ 0.26	8.45	$ 1,125
Options vested and expected to vest	2,651,292	$ 0.26	8.45	$ 1,125
Options exercisable	1,121,204	$ 0.20	7.94	$ 535

The weighted-average grant date fair value per share of employee option grants during the year ended December 31, 2013 and the nine months ended September 30, 2013 and 2014 was $0.27, $0.27 and $1.16, respectively.

Stock-Based Compensation Expense

The weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of the employee stock option grants were as follows:

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2013	2013	2014
Risk-free interest rate	1.3%	1.1%	1.1%	1.9%
Expected volatility	109.8%	94.9%	95.2%	78.5%
Expected term (in years)	6.3	6.3	6.3	6.3
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

Risk-free interest rate. The Company bases the risk-free interest rate assumption on the U.S. Treasury's rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued.

Expected volatility. The expected volatility assumption is based on volatilities of a peer group of similar companies whose share prices are publicly available. The peer group was developed based on companies in the biotechnology industry.

Expected term. The expected term represents the period of time that options are expected to be outstanding. Because the Company does not have historical exercise behavior, it determines the expected life assumption using the simplified method, which is an average of the contractual term of the option and its vesting period.

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Expected dividend yield. The Company bases the expected dividend yield assumption on the fact that it has never paid cash dividends and has no present intention to pay cash dividends.

The allocation of stock-based compensation is as follows (in thousands):

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2013	2013	2014
Research and development	$ 47	$ 184	$ 153	$ 112
General and administrative	11	91	74	43
	$ 58	$ 275	$ 227	$ 155

As of December 31, 2013 and September 30, 2014, the unrecognized compensation cost related to outstanding employee options was $0.4 million and $0.5 million, respectively, and is expected to be recognized as expense over approximately 2.5 years and 2.7 years, respectively.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance is as follows:

	December 31, 2013	September 30, 2014
Conversion of redeemable convertible preferred stock	12,249,999	24,650,273
Preferred stock warrants	37,500	150,000
Common stock options granted and outstanding	2,651,292	2,743,997
Awards available under the 2011 Plan	613,389	1,368,220
	15,552,180	28,912,490

7. Collaboration

In March 2014, the Company entered into a license agreement with Santen, under which the Company granted Santen an exclusive, worldwide license to certain patents, information and know-how related to TRC105. Under the agreement, Santen is permitted to use, develop, manufacture and commercialize TRC105 products for ophthalmology indications, excluding systemic treatment of ocular tumors. Santen also has the right to grant sublicenses to affiliates and third party collaborators. In the event Santen sublicenses any of its rights under the agreement, Santen will be obligated to pay the Company a portion of any upfront and certain milestone payments received under such sublicense.

Santen has sole responsibility for funding, developing, seeking regulatory approval for and commercializing TRC105 products in the field of ophthalmology. In the event that Santen fails to meet certain commercial diligence obligations, the Company will have the option to co-promote TRC105 products in the field of ophthalmology in the United States with Santen. If the Company exercises this option, the Company will pay Santen a percentage of certain development

TRACON Pharmaceuticals, Inc.
Notes to Financial Statements—(Continued)
(Information as of September 30, 2014 and thereafter and for the nine months ended September 30, 2013 and 2014 is unaudited)

expenses, and the Company will receive a percentage of profits from sales of the licensed products in the ophthalmology field in the United States, but will not also receive royalties on such sales.

In consideration of the rights granted to Santen under the agreement, the Company received a one-time upfront fee of $10.0 million. The license agreement provides for various types of payments, including the upfront payment, payment for various technical and regulatory support, payments for delivery of drug substance, reimbursement of certain development costs, milestone payments, and royalties on net product sales. The Company has identified multiple deliverables, which include at inception: (1) a license to patents, information and know-how related to TRC105, (2) technology transfer, (3) collaboration, including technical and regulatory support provided by the Company, (4) manufacturing and supply obligations, and (5) shared chemistry, manufacturing and controls (CMC) development activities. Deliverables 1 and 2 above were substantially delivered at the inception of the agreement, and deliverables 3 through 5 are expected to be delivered during the estimated 31-month period over which the Company will provide technical and regulatory support to Santen. At inception and through September 30, 2014, the Company has identified one single unit of accounting for all the deliverables under the agreement since the delivered elements do not have standalone value. The Company's technical and regulatory expertise, including manufacturing and CMC activities, in the development of biologic therapeutics, specifically TRC105, is a significant component of Santen's ability to utilize the license and know-how related to TRC105. Given the early stage of development of TRC105 for ophthalmology, the Company is the only party capable of performing the level and type of technical and regulatory collaboration services required by Santen under the agreement. As a result, the Company has determined that the license, including the ability to sublicense, and know-how related to TRC105 do not have standalone value to a licensee. As such, the Company is recognizing revenue for the fixed or determinable collaboration consideration on a straight-line basis over the estimated 31-month period over which it will deliver its technical and regulatory support.

In addition, the Company is eligible to receive up to a total of $155.0 million in milestone payments upon the achievement of certain milestones, of which $20.0 million relates to the initiation of certain development activities, $52.5 million relates to the submission of certain regulatory filings and receipt of certain regulatory approvals and $82.5 million relates to commercialization activities and the achievement of specified levels of product sales. The Company has determined that $10.0 million related to the initiation of certain clinical development activities will be based upon its efforts and meet the criteria of substantive milestones and therefore will be recognized as revenue upon achievement of the milestone in accordance with the milestone method of accounting. The remaining $145.0 million of potential milestone payments are not substantive milestones as they do not require the efforts of the Company. As of September 30, 2014, the Company has not achieved any milestones under the agreement.

If TRC105 products are successfully commercialized in the field of ophthalmology, Santen will be required to pay the Company tiered royalties on net sales ranging from high single digits to low teens, depending on the volume of sales, subject to adjustments in certain circumstances. In addition, Santen will reimburse the Company for all royalties due by the Company under certain third party agreements with respect to the use, manufacture or commercialization of TRC105 products in the field of ophthalmology by Santen and its affiliates

TRACON Pharmaceuticals, Inc.
Notes to Financial Statements—(Continued)
(Information as of September 30, 2014 and thereafter and for the nine months ended September 30, 2013 and 2014 is unaudited)

and sublicensees. Royalties will continue on a country-by-country basis through the later of the expiration of the Company's patent rights applicable to the TRC105 products in a given country or 12 years after the first commercial sale of the first TRC105 product commercially launched in such country.

Santen may unilaterally terminate this agreement in its entirety, or on a country-by-country basis, upon written notice to the Company. Either party may terminate the agreement in the event of the other party's bankruptcy or dissolution or for the other party's material breach of the agreement that remains uncured 90 days (or 30 days with respect to a payment breach) after receiving notice from the non-breaching party. Unless earlier terminated, the agreement continues in effect until the termination of Santen's payment obligations.

In connection with the collaboration with Santen, the Company recognized revenue of $2.6 million for the nine months ended September 30, 2014 and had deferred revenue of $7.7 million as of September 30, 2014.

8. Income Taxes

A reconciliation of the Company's effective tax rate and federal statutory tax rate is summarized as follows (in thousands):

	Years Ended December 31,	
	2012	2013
Federal income taxes	$ (1,676)	$ (2,620)
State income taxes, net of federal benefit	(301)	(427)
Permanent items	(80)	131
Research credits	(50)	(356)
Other, net	—	272
Intangible deferred adjustment	—	492
Change in valuation allowance	2,107	2,508
Provision for income taxes	$ —	$ —

Significant components of the Company's deferred tax assets are summarized as follows (in thousands):

	December 31,	
	2012	2013
Deferred tax assets:		
Net operating loss carryforwards	$ 3,974	$ 6,862
Research and development credits	367	469
Depreciation and amortization	699	185
Other, net	142	174
Total deferred tax assets	5,182	7,690
Valuation allowance	(5,182)	(7,690)
Net deferred tax assets	$ —	$ —

TRACON Pharmaceuticals, Inc.
Notes to Financial Statements—(Continued)
(Information as of September 30, 2014 and thereafter and for the nine months ended September 30, 2013 and 2014 is unaudited)

The Company has net deferred tax assets relating primarily to net operating loss (NOL) carryforwards and research and development credit carryforwards. Subject to certain limitations, the Company may use these deferred tax assets to offset taxable income in future periods. Due to the Company's history of losses and uncertainty regarding future earnings, a full valuation allowance has been recorded against the Company's deferred tax assets, as it is more likely than not that such assets will not be realized. The net change in the total valuation allowance for the years ended December 31, 2012 and 2013 was $2.1 million and $2.5 million, respectively.

At December 31, 2013, the Company had federal and California NOL carryforwards of approximately $17.2 million and $17.2 million, respectively, net of Internal Revenue Code (the Code) Section 382 limitations. The federal and California NOL carryforwards will begin to expire in 2029, unless previously utilized. At December 31, 2013, the Company also had federal and California research and development credit carryforwards of approximately $0.5 million and $0.3 million, net of Section 383 limitations, respectively. The federal research and development credit carryforwards will begin expiring in 2031 unless previously utilized. The California research credit will carry forward indefinitely.

Pursuant to Sections 382 and 383 of the Code, annual use of the Company's NOL and research and development credit carryforwards may be limited in the event that a cumulative change in ownership of more than 50% occurs within a three-year period. The Company has completed a Section 382/383 analysis, regarding the limitation of net operating loss and research and development credit carryforwards as of December 31, 2011. As a result of the analysis, an ownership change was determined to have occurred. Based on this ownership change, the deferred tax assets for federal NOLs and federal research and development credits of $1.1 million and $1.8 million, respectively, have been removed from the deferred tax asset schedule. Further, also as a result of the change, the deferred tax assets for California NOLs and California research and development credits of $0.4 million and $0.2 million, respectively, have been removed from the deferred tax asset schedule. The Company has recorded a corresponding decrease in the valuation allowance. The Company will continue to consider changes in ownership that may cause losses of tax attributes in the future.

The changes in the Company's unrecognized tax benefits are summarized as follows (in thousands):

Balance at December 31, 2011	$ 205
Increase related to current year positions	25
Balance at December 31, 2012	230
Decrease related to prior year positions	(15)
Increase related to current year positions	62
Balance at December 31, 2013	$ 277

The Company's policy is to include interest and penalties related to unrecognized income tax benefits as a component of income tax expense. The Company has no accruals for interest or penalties in the accompanying balance sheets as of December 31, 2012 and 2013 and has not recognized interest or penalties in the accompanying statements of operations for the years ended December 31, 2012 and 2013.

TRACON Pharmaceuticals, Inc.
Notes to Financial Statements—(Continued)
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Due to the valuation allowance recorded against the Company's deferred tax assets, future changes in unrecognized tax benefits will not impact the Company's effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly in the next 12 months.

The Company is subject to taxation in the United States and California. Due to the net operating loss carryforwards, the U.S. federal and California returns are open to examination for all years since inception. The Company has not been, nor is it currently, under examination by the federal or any state tax authority.

9. 401(k) Plan

The Company maintains a defined contribution 401(k) plan available to eligible employees. Employee contributions are voluntary and are determined on an individual basis, limited to the maximum amount allowable under federal tax regulations. The Company, at its discretion, may make certain matching contributions to the 401(k) plan. Matching contributions for the years ended December 31, 2012 and 2013 and the nine months ended September 30, 2013 and 2014 were $46,000, $55,000, $43,000 and $56,000, respectively.

10. Subsequent Events

The Company has completed an evaluation of all subsequent events through December 29, 2014 to ensure that this filing includes appropriate disclosure of events both recognized in the September 30, 2014 financial statements and events which occurred but were not recognized in the financial statements. Except as described below, the Company has concluded that no subsequent event has occurred that requires disclosure.

Stock Option Grant

On October 3, 2014, the board of directors granted options to purchase 1,267,187 shares of common stock to employees and a director at an exercise price of $1.82 per share.

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TRACON Pharmaceuticals, Inc.

Shares

Common Stock

PROSPECTUS

, 2015

Wells Fargo Securities
Stifel
Needham & Company
Oppenheimer & Co.

Through and including , 2015 (25 days after the commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This delivery is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to its unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, payable by TRACON Pharmaceuticals, Inc. (the "Registrant") in connection with the sale of the common stock being registered. All amounts shown are estimates except for the Securities and Exchange Commission (the "SEC") registration fee, the Financial Industry Regulatory Authority, Inc. ("FINRA") filing fee and the NASDAQ Global Market listing fee.

	Amount to be paid
SEC registration fee	$ 6,682
FINRA filing fee	9,125
NASDAQ Global Market listing fee	125,000
Blue sky qualification fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be provided by amendment.

Item 14. Indemnification of Directors and Officers.

The Registrant is incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a Delaware corporation may indemnify any persons who were, are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who were, are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses (including attorneys' fees) actually and reasonably incurred.

The Registrant's amended and restated certificate of incorporation and amended and restated bylaws, each of which will become effective immediately prior to the closing of this offering, provide for the indemnification of its directors and officers to the fullest extent permitted under the Delaware General Corporation Law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- breach of a director's duty of loyalty to the corporation or its stockholders.

The Registrant's amended and restated certificate of incorporation includes such a provision. Expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by the Registrant upon delivery to it of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Registrant.

Section 174 of the Delaware General Corporation Law provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption, may be held liable for such actions. A director who was either absent when the unlawful actions were approved or dissented at the time may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

As permitted by the Delaware General Corporation Law, the Registrant has entered into indemnity agreements with each of its directors and executive officers that require the Registrant to indemnify such persons against any and all costs and expenses (including attorneys', witness or other professional fees) actually and reasonably incurred by such persons in connection with any action, suit or proceeding (including derivative actions), whether actual or threatened, to which any such person may be made a party by reason of the fact that such person is or was a director or officer or is or was acting or serving as an officer, director, employee or agent of the Registrant or any of its affiliated enterprises. Under these agreements, the Registrant is not required to provided indemnification for certain matters, including:

- indemnification beyond that permitted by the Delaware General Corporation Law;
- indemnification for any proceeding with respect to the unlawful payment of remuneration to the director or officer;
- indemnification for certain proceedings involving a final judgment that the director or officer is required to disgorge profits from the purchase or sale of the Registrant's stock;
- indemnification for proceedings involving a final judgment that the director's or officer's conduct was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct or a breach of his or her duty of loyalty, but only to the extent of such specific determination;

- indemnification for proceedings or claims brought by an officer or director against the Registrant or any of the Registrant's directors, officers, employees or agents, except for (1) claims to establish a right of indemnification or proceedings, (2) claims approved by the Registrant's board of directors, (3) claims required by law, (4) when there has been a change of control as defined in the indemnification agreement with each director or officer, or (5) by the Registrant in its sole discretion pursuant to the powers vested to the Registrant under Delaware law;

- indemnification for settlements the director or officer enters into without the Registrant's consent; or

- indemnification in violation of any undertaking required by the Securities Act of 1933, as amended (the "Securities Act") or in any registration statement filed by the Registrant.

The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification thereunder.

Except as otherwise disclosed under the heading "Legal Proceedings" in the "Business" section of the prospectus included in this registration statement, there is at present no pending litigation or proceeding involving any of the Registrant's directors or executive officers as to which indemnification is required or permitted, and the Registrant is not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

The Registrant has an insurance policy in place that covers its officers and directors with respect to certain liabilities, including liabilities arising under the Securities Act or otherwise.

The Registrant plans to enter into an underwriting agreement which provides that the underwriters are obligated, under some circumstances, to indemnify the Registrant's directors, officers and controlling persons against specified liabilities, including liabilities under the Securities Act.

Item 15. Recent Sales of Unregistered Securities.

The following sets forth information regarding all unregistered securities issued and sold by the Registrant since July 31, 2011:

(1) In July 2012 and May 2013, pursuant to a Series A preferred stock purchase agreement, the Registrant issued and sold to investors an aggregate of 3,999,999 shares of its Series A redeemable convertible preferred stock, at a purchase price of $2.00 per share, for aggregate gross consideration of $8.0 million.

(2) In November 2013, the Registrant issued a warrant to purchase 37,500 shares of its Series A redeemable convertible preferred stock to Silicon Valley Bank under its loan and security agreement, with an exercise price of $2.00 per share.

(3) Between September 20, 2011 and December 29, 2014, the Registrant granted stock options under its 2011 Equity Incentive Plan to purchase up to an aggregate of 4,451,724 shares of its common stock to its employees and directors, at exercise prices per share ranging from $0.181 to $1.82. Options to purchase a total of 32,464 of these shares were exercised through December 29, 2014.

(4) In June 2014, the Registrant issued a warrant to purchase 112,500 shares of its Series A redeemable convertible preferred stock to Silicon Valley Bank under its amended loan and security agreement, with an exercise price of $2.00 per share.

(5) In September 2014, pursuant to a Series B stock purchase agreement, the Registrant issued an aggregate of 12,400,274 shares of its Series B redeemable convertible

preferred stock at a purchase price of approximately $2.19 per share, for aggregate consideration of $27.2 million.

The offers, sales and issuances of the securities described in paragraphs (1), (2), (4) and (5) above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act and Rule 506 promulgated under Regulation D promulgated thereunder as transactions by an issuer not involving a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access, through employment, business or other relationships, to information about the Registrant. No underwriters were involved in these transactions.

The offers, sales and issuances of the securities described in paragraph (3) above were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 in that the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of such securities were the Registrant's employees, directors or bona fide consultants and received the securities under the Registrant's 2011 Equity Incentive Plan. Appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions had adequate access, through employment, business or other relationships, to information about the Registrant.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

The list of exhibits is set forth under "Exhibit Index" at the end of this registration statement and is incorporated herein by reference.

(b) Financial Statement Schedules.

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to 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.

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 SEC 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 of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(a) 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.

(b) 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.

(c) That, for the purpose of determining liability under the Securities Act to any purchaser:

(1) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(d) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(1) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(2) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(3) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(4) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

Signatures

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on the 29th day of December, 2014.

TRACON Pharmaceuticals, Inc.

/s/ CHARLES P. THEUER, M.D., PH.D.

Charles P. Theuer, M.D., Ph.D.
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles Theuer and Patricia Bitar, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments), and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act, and all post-effective amendments thereto, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CHARLES P. THEUER, M.D., PH.D. Charles P. Theuer, M.D., Ph.D.	President, Chief Executive Officer and Member of the Board of Directors *(Principal Executive Officer)*	December 29, 2014
/s/ PATRICIA L. BITAR, CPA Patricia L. Bitar, CPA	Chief Financial Officer *(Principal Financial and Accounting Officer)*	December 29, 2014
/s/ KENJI HARADA, PH.D. Kenji Harada, Ph.D.	Member of the Board of Directors	December 29, 2014

Signature	Title	Date
/s/ HIRONORI HOZOJI Hironori Hozoji	Member of the Board of Directors	December 29, 2014
/s/ WILLIAM R. LARUE William R. LaRue	Member of the Board of Directors	December 29, 2014
/s/ MARTIN A. MATTINGLY, PHARM.D. Martin A. Mattingly, Pharm.D.	Member of the Board of Directors	December 29, 2014
/s/ ALFRED SCHEIDEGGER, PH.D. Alfred Scheidegger, Ph.D.	Member of the Board of Directors	December 29, 2014
/s/ J. RAINER TWIFORD, J.D., PH.D. J. Rainer Twiford, J.D., Ph.D.	Member of the Board of Directors	December 29, 2014
/s/ PAUL WALKER Paul Walker	Member of the Board of Directors	December 29, 2014

Exhibit Index

Exhibit Number	Description of Document
1.1†	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation, as currently in effect.
3.2†	Form of Amended and Restated Certificate of Incorporation to become effective immediately prior to the closing of this offering.
3.3	Amended and Restated Bylaws, as currently in effect.
3.4†	Form of Amended and Restated Bylaws to become effective immediately prior to the closing of this offering.
4.1†	Form of 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 September 19, 2014.
5.1†	Opinion of Cooley LLP.
10.1+	Form of Indemnity Agreement by and between the Registrant and its directors and officers.
10.2+	TRACON Pharmaceuticals, Inc. 2011 Equity Incentive Plan and Forms of Stock Option Agreement and Notice of Exercise thereunder.
10.3+†	TRACON Pharmaceuticals, Inc. 2015 Equity Incentive Plan and Forms of Stock Option Grant Notice, Stock Option Agreement, Notice of Exercise and Restricted Stock Unit Agreement thereunder.
10.4+†	TRACON Pharmaceuticals, Inc. Non-Employee Director Compensation Policy.
10.5+	Amended and Restated Employment Agreement by and between the Registrant and Charles P. Theuer, M.D., Ph.D., dated May 7, 2014, as amended on September 17, 2014.
10.6+	Employment Agreement by and between the Registrant and H Casey Logan, M.B.A., dated February 18, 2013, as amended on September 17, 2014.
10.7+	Offer Letter by and between the Registrant and Patricia Bitar, dated September 17, 2014.
10.8+	TRACON Pharmaceuticals, Inc. Severance Plan and Summary Plan Description.
10.9+	Severance Agreement by and between the Registrant and Patricia Bitar, dated September 22, 2014.
10.10	Office Lease Agreement by and between the Registrant and Glenborough Aventine, LLC, dated February 10, 2011, as amended on September 16, 2013 and September 15, 2014.
10.11*	License Agreement by and between the Registrant and Santen Pharmaceutical Co., Ltd., dated March 3, 2014.
10.12*	License Agreement by and among the Registrant and Roswell Park Cancer Institute and Health Research, Inc., dated November 1, 2005, as amended on November 12, 2009, February 11, 2010 and September 18, 2014.
10.13*	License Agreement by and between the Registrant and Case Western Reserve University, dated August 2, 2006.
10.14*	License Agreement by and between the Registrant and Lonza Sales AG, dated June 29, 2009.
10.15	Warrant to Purchase Stock issued to Silicon Valley Bank on November 14, 2013.

Exhibit Number	Description of Document
10.16	Warrant to Purchase Stock issued to Silicon Valley Bank on June 4, 2014.
10.17	Loan and Security Agreement by and between the Registrant and Silicon Valley Bank, dated November 14, 2013, as amended on June 4, 2014.
10.18*	Cooperative Research and Development Agreement by and between the Registrant and the U.S. Department of Health and Human Services, as represented by National Cancer Institute, dated December 22, 2010.
10.19*	Cooperative Research and Development Agreement by and between the Registrant and the U.S. Department of Health and Human Services, as represented by National Cancer Institute, dated January 28, 2011, as amended on March 12, 2013.
10.20*	Cooperative Research and Development Agreement by and between the Registrant and the U.S. Department of Health and Human Services, as represented by National Cancer Institute, dated August 7, 2012.
10.21*	Sponsored Research Agreement by and between the Registrant and Tufts Medical Center, Inc., dated December 16, 2014.
23.1	Consent of Independent Registered Public Accounting Firm.
23.2†	Consent of Cooley LLP. Reference is made to Exhibit 5.1.
24.1	Power of Attorney. Reference is made to the signature page hereto.

† To be filed by amendment.

+ Indicates management contract or compensatory plan.

* Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the SEC.

RESTATED
CERTIFICATE OF INCORPORATION

OF

TRACON PHARMACEUTICALS, INC.

The undersigned, Charles P. Theuer, hereby certifies that:

1. He is the duly elected and acting President of TRACON Pharmaceuticals, Inc., a Delaware corporation.

2. The Certificate of Incorporation of this corporation was originally filed with the Secretary of State of Delaware on October 28, 2004 under the name of Lexington Pharmaceuticals, Inc.

3. The Restated Certificate of Incorporation of this corporation shall be amended and restated to read in full as follows:

ARTICLE I

The name of this corporation is TRACON Pharmaceuticals, Inc. (the "**Corporation**").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

ARTICLE IV

(A) **Classes of Stock.** The Corporation is authorized to issue two classes of stock to be designated, respectively, "**Common Stock**" and "**Preferred Stock**." The total number of shares which the Corporation is authorized to issue is 64,900,000 shares, each with a par value of $0.001 per share. 40,000,000 shares shall be Common Stock and 24,900,000 shares shall be Preferred Stock.

(B) **Powers, Preferences Rights, and Restrictions of Preferred Stock.** The Preferred Stock authorized by this Restated Certificate of Incorporation (the "**Restated Certificate**") may be issued from time to time in one or more series. The first series of Preferred Stock shall be designated "**Series A Preferred Stock**" and shall consist of 12,400,000 shares. The second series of Preferred Stock shall be designated "**Series B Preferred Stock**" and shall

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consist of 12,500,000 shares. The powers, preferences, rights, and restrictions granted to and imposed on the Preferred Stock are as set forth below in this Article IV(B).

1. **Dividend Provisions**.

(a) No dividend or distribution (other than a dividend payable solely in Common Stock and other than a distribution pursuant to Section 2 below) shall be paid or set aside for payment on shares of Common Stock unless in such fiscal year there shall have been paid, or set aside for payment in such fiscal year, dividends, out of any assets legally available therefor, at the rate of eight percent (8%) of the Series A Original Issue Price (as defined below) or the Series B Original Issue Price (as defined below), as applicable, (as adjusted for stock splits, stock dividends, reverse stock splits, reclassifications and the like (collectively, "**Stock Split Changes**") with regard to the Preferred Stock) per annum on each outstanding share of Preferred Stock. Such Preferred Stock dividends shall not be cumulative and shall be payable when, as and if declared by the Board of Directors of the Corporation (the "**Board of Directors**"). The "**Series A Original Issue Price**" shall be $2.00 for each share of the Series A Preferred Stock. The "**Series B Original Issue Price**" shall be $2.1935 for each share of the Series B Preferred Stock.

(b) So long as any shares of Preferred Stock are outstanding, the Corporation shall not pay or declare any dividend, whether in cash or property, or make any other distribution on the Common Stock, or purchase, redeem or otherwise acquire for value any shares of Common Stock until all dividends (set forth in Section 1(a) above) on the Preferred Stock shall have been paid or declared and set apart, except for:

(i) acquisitions of Common Stock by the Corporation pursuant to agreements which permit the Corporation to repurchase such shares at no greater than cost upon termination of services to the Corporation; or

(ii) acquisitions of Common Stock in exercise of the Corporation's right of first refusal or similar right to repurchase such shares.

(c) After payment of such Preferred Stock dividends, in the event a dividend or distribution (other than a dividend payable solely in Common Stock and other than a distribution pursuant to Section 2 below) shall be paid or set aside for payment on shares of Common Stock, an additional dividend or distribution shall be concurrently paid or set aside with respect to each outstanding share of Preferred Stock in an amount per share (on an as-if-converted to Common Stock basis) equal to or greater than the amount paid or set aside for each share of Common Stock.

(d) The provisions of Section 1(b) and 1(c) shall not apply to:

(i) a dividend payable solely in Common Stock; or

(ii) any repurchase of any outstanding securities of the Corporation that is unanimously approved by the Board of Directors.

2. **Liquidation.**

(a) **Series B Preferred Stock Preference.** In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, or a Liquidation Transaction (as defined below), the holders of the Series B Preferred Stock shall be entitled to receive, from the assets legally available therefor prior and in preference to any distribution of any of the assets of the Corporation to the holders of Series A Preferred Stock or Common Stock by reason of their ownership thereof, an amount per share equal to the Series B Original Issue Price (as adjusted for Stock Split Changes) for each share of Series B Preferred Stock then held by them plus an amount equal to any declared but unpaid dividends on such shares of Series B Preferred Stock. If, upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series B Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of Series B Preferred Stock in proportion to the preferential amount each such holder would otherwise be entitled to receive in respect of his, her or its ownership of Series B Preferred Stock.

(b) **Series A Preferred Stock Preference.** Upon the completion of the distribution required by Section 2(a) above, in the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, or a Liquidation Transaction, the holders of the Series A Preferred Stock shall be entitled to receive, from the assets legally available therefor prior and in preference to any distribution of any of the assets of the Corporation to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the Series A Original Issue Price (as adjusted for Stock Split Changes) for each share of Series A Preferred Stock then held by them plus an amount equal to any declared but unpaid dividends on such shares of Series A Preferred Stock. If, upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of Series A Preferred Stock in proportion to the preferential amount each such holder would otherwise be entitled to receive in respect of his, her or its ownership of Series A Preferred Stock.

(c) **Remaining Assets.** Upon the completion of the distribution required by Sections 2(a) and 2(b) above, the remaining assets of the Corporation available for distribution to stockholders shall be distributed among the holders of the Series B Preferred Stock, the holders of Series A Preferred Stock and the holders of Common Stock, pro rata based on the number of shares of Common Stock held by each (assuming conversion of all such Preferred Stock into Common Stock).

(d) **Certain Acquisitions of the Corporation.**

(i) **Deemed Liquidation.** For purposes of this Section 2, a "**Liquidation Transaction**" means an Acquisition of the Corporation (as defined below), provided that if the holders of a majority of each of the: (i) Series B Preferred Stock then outstanding, voting as a separate series and (ii) Series A Preferred Stock then outstanding, voting

as a separate series, elect not to treat the transaction as a Liquidation Transaction, an Acquisition of the Corporation shall be deemed not to constitute a Liquidation Transaction. A Liquidation Transaction shall be treated as though it were a liquidation, for purposes of triggering an immediate obligation to pay the liquidation preference of the Preferred Stock pursuant to Sections 2(a), 2(b) and 2(c) above.

An "**Acquisition of the Corporation**" means (i) a sale, conveyance, exclusive license or other disposition of all or substantially all of the assets of the Corporation, which shall be deemed to include without limitation an exclusive license of TRC105, or (ii) a merger or consolidation with or into any other entity, unless the stockholders of the Corporation immediately before the transaction own 50% or more of the voting stock of the acquiring or surviving corporation following the transaction (taking into account, in the numerator, only stock of the Corporation held by such stockholders before the transaction and

stock issued in respect of such prior-held stock of the Corporation), or (iii) any other transaction which results in (assuming an immediate and maximum exercise/conversion of all derivative securities issued in the transaction) the holders of the Corporation's capital stock as of immediately before the transaction owning less than 50% of the voting power of the Corporation's capital stock as of immediately after the transaction, provided, however, that an equity financing transaction in which the Corporation is the surviving corporation, retains substantially all of the proceeds of such transaction for working capital or other operational purposes, including acquisitions, and does not (directly or through a subsidiary) receive any assets other than cash and rights to receive cash shall be deemed not to constitute an Acquisition of the Corporation. A series of related transactions shall be deemed to constitute a single transaction, and where such transactions involve securities issuances, they shall be deemed "related" if under applicable securities laws they would be treated as integrated.

(ii) **Mechanics of Payment**. All consideration payable to the stockholders of the Corporation in connection with any such merger or consolidation, or all consideration payable to the Corporation and distributable to its stockholders, together with all other available assets of the Corporation (net of obligations owed by the Corporation that are senior to the Series B Preferred Stock), in connection with any such asset sale, shall be, as applicable, paid by the purchaser to the holders of, or distributed by the Corporation in redemption (out of funds legally available therefor) of, the Preferred Stock and any Common Stock in accordance with the preferences and priorities set forth in Sections 2(a), 2(b) and 2(c) above, with such preferences and priorities specifically intended to be applicable in any such merger, consolidation or asset sale, as if such transaction were a liquidation. In furtherance of the foregoing, the Corporation shall take such actions as are necessary to give effect to the provisions of this Section 2(d), including without limitation, (i) in the case of a merger or consolidation, causing the definitive agreement relating to such merger or consolidation to provide for a rate at which the shares of Preferred Stock are converted into or exchanged for cash, new securities or other property which gives effect to the preferences and priorities set forth in Sections 2(a), 2(b) and 2(c) above, or (ii) in the case of an asset sale, promptly and in no event later than 90 days after the consummation of such asset sale, redeeming the Preferred Stock and any Common Stock in accordance with the preferences and priorities set forth in Sections 2(a), 2(b) and 2(c) above. The Corporation shall promptly provide to the holders of shares of Preferred Stock such information concerning the terms of such merger, consolidation or asset sale, and the value of the assets of the Corporation as may reasonably be requested by the

holders of Preferred Stock. The amount deemed distributed to the holders of Preferred Stock upon any such transaction shall be the cash or the value of the property, rights or securities distributed to such holders by the Corporation or the acquiring person, firm or other entity, as applicable; provided, however, that any such distributions must be made in the same ratio of cash and non-cash consideration to all of the holders of the Corporation's capital stock, unless otherwise approved by holders of a majority of the Preferred Stock then outstanding, voting together as a single class on an as-converted basis, and except to the extent necessary to cash out any holders who would otherwise receive securities that are not registered under the Securities Act of 1933 and who are not "accredited investors" as defined in Regulation D promulgated under such Act.

(iii) **Valuation of Consideration.** In the event of a Liquidation Transaction, if all or a portion of the consideration received by the Corporation is other than cash, its value will be set at its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability:

(1) If traded on a securities exchange, the value shall be based on the formula specified in the definitive agreements for the Liquidation Transaction or, if no such formula exists, then the value of such securities shall be based on a formula approved by the Board of Directors acting in good faith and derived from the closing prices of the securities on such exchange over a specified time period;

(2) If actively traded over-the-counter, the value shall be based on the formula specified in the definitive agreements for the Liquidation Transaction or, if no such formula exists, then the value of such securities shall be based on a formula approved by the Board of Directors acting in good faith and derived from the closing bid or sales prices (whichever is applicable) of such securities over a specified time period; and

(3) If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as specified above in Section 2(d)(iii)(A) to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors.

(iv) **Allocation of Escrow and Contingent Consideration.** In the event of a Liquidation Transaction, if any portion of the consideration payable to the stockholders of the Corporation is payable only upon satisfaction of contingencies (the "**Additional Consideration**"), the definitive agreement relating to such Liquidation Transaction shall provide that (a) the portion of such consideration that is not Additional Consideration (such portion, the "**Initial Consideration**") shall be allocated among the holders of capital stock of the Corporation in accordance with Sections 2(a), 2(b) and 2(c) above as if the Initial Consideration

were the only consideration payable in connection with such Liquidation Transaction; and (b) any Additional Consideration which becomes payable to the stockholders of the Corporation upon satisfaction of such contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Sections 2(a), 2(b) and 2(c) above after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Section 2(d)(iv), consideration placed into escrow or retained as holdback to be available for satisfaction of indemnification or similar obligations in connection with such Liquidation Transaction shall be deemed to be Additional Consideration.

(v) **Effect of Noncompliance.** In the event the requirements of this Section 2(d) are not complied with, the Corporation shall forthwith either cause the closing of the Liquidation Transaction to be postponed until such requirements have been complied with, or cancel such Liquidation Transaction, in which event the rights, preferences, privileges and restrictions of the holders of Preferred Stock shall revert to and be the same as such rights, preferences, privileges and restrictions existing immediately before the date the notice of the Liquidation Transaction should first have been sent pursuant to Article IV(D)(2).

3. **Redemption.**

(a) The Corporation shall redeem, from any source of funds legally available therefor, the Preferred Stock in three annual installments (each a "**Redemption Date**") commencing not more than 60 days after receipt by the Corporation at any time on or after September 19, 2019, from the holders of a majority of the then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis, of written notice requesting redemption of all shares of Preferred Stock (the "**Redemption Request**"). The Corporation shall effect such redemptions on the applicable Redemption Dates by paying in cash in exchange for the shares of Preferred Stock to be redeemed a sum equal to the Series A Original Issue Price or the Series B Original Issue Price, as applicable (each, as adjusted for Stock Split Changes), plus an amount equal to any declared but unpaid dividends on such shares of Preferred Stock (the "**Redemption Price**"). The number of shares of Preferred Stock that the Corporation shall be required under this Section 3(a) to redeem on any one Redemption Date shall be equal to the amount determined by dividing (i) the aggregate number of shares of Preferred Stock outstanding immediately prior to the Redemption Date by (ii) the number of remaining Redemption Dates (including the Redemption Date to which such calculation applies).

(b) At least 15 but no more than 30 days prior to each Redemption Date written notice shall be mailed, first class postage prepaid, to each holder of record (at the close of business on the business day immediately preceding the day on which notice is given) of the Preferred Stock to be redeemed, at the address last shown on the records of the Corporation for such holder, notifying such holder of the redemption to be effected, specifying the number of shares to be redeemed from such holder, the Redemption Date, the Redemption Price, the place at which payment may be obtained and calling upon such holder to surrender to the Corporation, in the manner and at the place designated, such holder's certificate or certificates representing the shares to be redeemed (the "**Redemption Notice**"). On or after the Redemption Date, each holder of Preferred Stock to be redeemed shall surrender to the Corporation the certificate or certificates representing such shares (or a reasonably acceptable affidavit and indemnity undertaking, but without the necessity of posting any bond, in the case of a lost, stolen or

destroyed certificate), in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates (or affidavit) as the owner thereof and each surrendered certificate shall be cancelled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(c) From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of shares of the Preferred Stock designated for redemption in the Redemption Notice as holders of Preferred Stock (except the right to receive the Redemption Price without interest upon surrender of their certificate, certificates or affidavit) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever. If the Corporation does not have sufficient funds legally available to redeem all shares of Preferred Stock to be redeemed at a Redemption Date, then it shall redeem such shares in the order of priority as set forth immediately below, in each case, to the extent possible, and shall redeem the remaining shares to be redeemed as soon as sufficient funds are legally available. The Corporation shall first redeem all shares of Series B Preferred Stock subject to redemption on such Redemption Date; after all shares of Series B Preferred Stock to be redeemed on such Redemption Date have been so redeemed, the Corporation shall next redeem all shares of Series A Preferred Stock subject to redemption on such Redemption Date; provided, in either case, that if the Corporation does not have sufficient funds legally available to redeem all shares of a particular series of Preferred Stock to be redeemed on such Redemption Date, then it shall redeem such shares of such series *pro rata* (based on the portion of the aggregate Redemption Price payable in respect of the shares of the applicable series of Preferred Stock that are subject to redemption on such Redemption Date). The shares of Preferred Stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein.

4. **Conversion.** The holders of the Preferred Stock shall have conversion rights and obligations as follows:

(a) **Right to Convert.** Subject to Section 4(d) below, each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, into such number of fully paid and nonassessable

shares of Common Stock as is determined by dividing the Series A Original Issue Price or the Series B Original Issue Price, as applicable (and as adjusted for Stock Split Changes), by the Conversion Price applicable to such share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share of Series A Preferred Stock shall be the Series A Original Issue Price (as adjusted for Stock Split Changes) and the initial Conversion Price per share of Series B Preferred Stock shall be the Series B Original Issue Price (each, as adjusted for Stock Split Changes). Each such initial Conversion Price shall be subject to adjustment as set forth in Section 4(d) below.

(b) **Mandatory Conversion.** Each share of Preferred Stock shall be automatically, and without any further action on the part of the holder thereof, converted into shares of Common Stock at the applicable Conversion Price at the time in effect for such share

immediately upon the earlier of (i) upon the date specified by the vote or written consent of the holders of a majority of the then-outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis or (ii) immediately before the closing of the Corporation's sale of its Common Stock in a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended (the "**Securities Act**"), which results in aggregate gross offering proceeds to the Corporation (before deducting underwriting discounts and commissions) of at least $30,000,000 (such transaction, a "**Qualified IPO**").

(c) **Mechanics of Conversion.** Before any holder of Preferred Stock shall be entitled (i) to convert such Preferred Stock into shares of Common Stock pursuant to Section 4(a) above or (ii) in the event of an automatic conversion pursuant to Section 4(b) above, to receive a certificate or certificates for the Common Stock into which such holder's Preferred Stock has been converted, the holder shall surrender the certificate or certificates therefor, duly endorsed (or a reasonably acceptable affidavit and indemnity undertaking, but without the necessity of posting any bond, in the case of a lost, stolen or destroyed certificate), at the office of the Corporation or of any transfer agent for such series of Preferred Stock, and, in the case of an election to convert pursuant to Section 4(a) above, shall give written notice to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid, and a certificate for the remaining number of shares of Preferred Stock if less than all of the Preferred Stock evidenced by the certificate were surrendered. Such conversion shall be deemed to have been made immediately before the close of business on (i) the date of such surrender of the shares of such series of Preferred Stock to be converted together with written notice of conversion or (ii) if applicable, at the time of automatic conversion specified in Section 4(b) above (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. If the conversion is in connection with an underwritten public offering of securities registered pursuant to the Securities Act or a Liquidation Transaction, the conversion may, at the option of any holder tendering such Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering or the closing of such Liquidation Transaction, in which event any persons entitled to receive Common Stock upon conversion of such Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately before the closing of such sale of securities or such Liquidation Transaction.

(d) **Conversion Price Adjustments of Preferred Stock for Certain Stock Splits, Stock Dividends, Combinations/Reverse Splits and Dilutive Issuances.** The Conversion Price of the Preferred Stock shall be subject to adjustment from time to time as follows:

(i) **Stock Splits and Dividends**. In the event the Corporation should at any time after the date upon which any shares of Preferred Stock were first issued (the

"**Original Issue Date**" with respect to such series) effectuate a split or subdivision of the outstanding shares of Common Stock or fix a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or in securities or rights convertible into or exchangeable or exercisable for, or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock ("**Common Stock Equivalents**"), without payment of any consideration, other than in the form of Corporation securities, by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion, exchange or exercise thereof), then, as of such split or subdivision or as of such record date (or the payment date of such dividend or distribution if no record date is fixed), the Conversion Price of the Preferred Stock shall be decreased by multiplying the previously applicable Conversion Price by a fraction whose numerator is the number of shares of Common Stock outstanding immediately before the split, subdivision or record date (or payment date) and whose denominator is (a) in the case of a split or subdivision, the number of shares of Common Stock outstanding immediately after the split or subdivision, (b) in the case of such a dividend/distribution record date, the sum of the number of shares of Common Stock outstanding immediately before such record date plus the number of shares of Common Stock issuable in such dividend/distribution plus the number of shares of Common Stock deemed issuable (without payment) as to any Common Stock Equivalents issuable in such dividend/distribution, with the number of shares issuable with respect to Common Stock Equivalents determined in the manner provided for deemed issuances in Section 4(d)(iii)(C) below (subject to possible future

recomputation in accordance therewith), and (c) in the case of such a dividend/distribution paid without the setting of a record date, the sum of the number of shares of Common Stock outstanding immediately before such dividend/distribution plus the number of shares of Common Stock issued in such dividend/distribution plus the number of shares of Common Stock deemed issuable (without payment) as to any Common Stock Equivalents issued in such dividend/distribution, with the number of shares issuable with respect to Common Stock Equivalents determined in the manner provided for deemed issuances in Section 4(d)(iii)(C) below (subject to possible future recomputation in accordance therewith).

(ii) **Reverse Stock Splits.** If the number of shares of Common Stock outstanding at any time after the Original Issue Date for such series of the Preferred Stock is decreased by a reverse split or combination of the outstanding shares of Common Stock, then, as of such reverse split or combination, the Conversion Price for the Preferred Stock shall be increased by multiplying the previously applicable Conversion Price by a fraction whose numerator is the number of shares of Common Stock outstanding immediately before the reverse split or combination and whose denominator is the number of shares of Common Stock outstanding immediately after the reverse split or combination.

(iii) **Issuance of Additional Shares below Conversion Price.** If the Corporation should issue, at any time after the Original Issue Date for such series of Preferred Stock, any Additional Shares (as defined below) without consideration or for a consideration per share less than the Conversion Price for such series in effect immediately before the issuance of such Additional Shares, the Conversion Price for such series in effect immediately before each such issuance shall automatically be adjusted as set forth in this Section 4(d)(iii), unless otherwise provided in this Section 4(d)(iii).

(A) **Adjustment Formula.** Whenever the Conversion Price is adjusted pursuant to this Section (4)(d)(iii), the new Conversion Price shall be determined by multiplying the Conversion Price then in effect by a fraction, (x) the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of Additional Shares, including the number of shares of common stock deemed issued pursuant to the following sentence (together, the "**Outstanding Common**") plus the number of shares of Common Stock that the aggregate consideration received by the Corporation for such issuance would purchase at such Conversion Price; and (y) the denominator of which shall be the number of shares of Outstanding Common plus the number of shares of such Additional Shares. For purposes of the foregoing calculation, the term "Outstanding Common" as of a given date shall be the sum of (A) the number of shares of Common Stock outstanding, (B) the number of shares of Common Stock into which the then outstanding shares of Preferred Stock could be converted if fully converted on the day immediately preceding the given date, and (C) the number of shares of Common Stock which could be obtained through the exercise or conversion of all other rights, options and convertible securities outstanding on the date immediately preceding the given date with an exercise price below the then effective Conversion Price.

(B) **Definition of "Additional Shares".** For purposes of this Section 4(d)(iii), "**Additional Shares**" shall mean any shares of Common Stock issued (or deemed to have been issued pursuant to Section 4(d)(iii)(C)) below by the Corporation after the Original Issue Date for the applicable series) other than the following (the "**Exempted Securities**"):

(1) Common Stock issued pursuant to a transaction described in Section 4(d)(i), Section 4(d)(ii), Section 4(e) or Section 4(f) hereof;

(2) Common Stock issued upon conversion of or as a dividend or distribution on the Preferred Stock;

(3) Common Stock issued or issuable to employees, officers, consultants or directors of the Corporation, or other persons performing services for the Corporation, directly or pursuant to warrants, a stock option plan or agreement or restricted stock plan or agreement, in each case, approved by the Board of Directors, including at least one of the Series A Directors and the Series B Director (each as defined below) then in office, if any;

(4) Capital stock, or options or warrants to purchase capital stock, issued to financial institutions with federal or state charters or to lessors in connection with commercial credit arrangements, equipment financings, commercial property lease transactions or similar transactions approved by the Board of Directors, including at least one of the Series A Directors and the Series B Director then in office, if any;

(5) Common Stock or other underlying security actually issued upon the conversion, exchange or exercise of any derivative security outstanding as of the date of this Restated Certificate; or

(6) Common Stock issued or issuable with the affirmative vote or written consent of holders of a majority of the then outstanding shares of each affected series of Preferred Stock, voting as separate series, in favor of a resolution which expressly states that such Common Stock are Exempted Securities.

(C) **Rules Regarding Common Stock Equivalents.** If (whether before, on or after the applicable Original Issue Date), Common Stock Equivalents are issued, the following provisions shall apply for all purposes of this Section 4(d)(iii):

(1) The aggregate maximum number of shares of Common Stock deliverable upon conversion, exchange or exercise (assuming the satisfaction of any conditions to convertibility, exchangeability or exercisability, including, without limitation, the passage of time, and including the effect of antidilution adjustments that have already been made) of any Common Stock Equivalents and subsequent conversion, exchange or exercise thereof shall be deemed to have been issued at the time such Common Stock Equivalents were issued and for a consideration equal to the consideration, if any, received by the Corporation for any such Common Stock Equivalents (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by the Corporation (but including the effect of antidilution adjustments that have already been made) upon the conversion, exchange or exercise of any Common Stock Equivalents (the consideration in each case to be determined in the manner provided in Section 4(d)(iii)(F)) below).

(2) In the event of any change in the number of shares of Common Stock deliverable to the Corporation upon conversion, exchange or exercise of any Common Stock Equivalents or in the consideration payable to the Corporation upon conversion, exchange or exercise of any Common Stock Equivalents, other than a change resulting from the antidilution provisions thereof, the Conversion Price of the Preferred Stock, to the extent in any way affected by or computed using such Common Stock Equivalents, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the conversion, exchange or exercise of such Common Stock Equivalents.

(3) Upon the termination or expiration of the convertibility, exchangeability or exercisability of any Common Stock Equivalents, the Conversion Price of the Preferred Stock, to the extent in any way affected by or computed using such Common Stock Equivalents, shall be recomputed to reflect the issuance of only the number of shares of Common Stock Equivalents that remain convertible, exchangeable or exercisable and the number of shares of Common Stock previously actually issued upon the conversion, exchange or exercise of such Common Stock Equivalents.

(D) **No Increased Conversion Price.** Notwithstanding any other provisions of this Section (4)(d)(iii), except to the limited extent provided for in Sections 4(d)(iii)(C)(2) and 4(d)(iii)(C)(3) above, no adjustment of the Conversion Price pursuant to this Section 4(d)(iii) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately before such adjustment.

(E) **No Fractional Adjustments.** No adjustment of the Conversion Price for the Preferred Stock shall be made in an amount less than one quarter (1/4) of one cent per share, provided that any adjustments which are not required to be made by reason of this sentence shall be carried forward and shall be either taken into account in any subsequent adjustment made before three years from the date of the event giving rise to the adjustment being carried forward, or shall be made at the end of three years from the date of the event giving rise to the adjustment being carried forward.

(F) **Determination of Consideration.** In the case of the issuance of securities for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with the issuance and sale thereof. In the case of the issuance of the Securities for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined in good faith by the Board of Directors, including at least one of the Series A Directors and the Series B Director then in office, if any, irrespective of any accounting treatment.

(e) **Other Distributions.** In the event the Corporation shall declare a distribution (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4 or in Section 2 of this Article IV(B)) payable in securities of other persons, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in Section 4(d)(i) or 4(d)(ii) above, then, in each such case for the purpose of this Section 4(e), the holders of Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution.

(f) **Recapitalizations.** If at any time or from time to time there shall be a recapitalization of the Common Stock or the merger or consolidation of the Corporation with or into another corporation or another entity or person (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4 or in Section 2 of this Article IV(B)), as part of such recapitalization, provision shall be made so that the holders of the Preferred Stock shall thereafter be entitled to receive upon conversion of such Preferred Stock the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of such Preferred Stock after the recapitalization to the end that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of such Preferred Stock) shall be applicable after that event and be as nearly equivalent as practicable.

(g) **No Fractional Shares and Certificate as to Adjustments.**

(i) No fractional shares shall be issued upon the conversion of any share or shares of the Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded down to the nearest whole share. The number of shares issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion. If the conversion would result in any fractional share, the Corporation shall, in lieu of issuing any such fractional share, pay the holder thereof an amount in cash equal to the fair market value of such fractional share on the date of conversion, as determined in good faith by the Board of Directors.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Preferred Stock pursuant to this Section 4, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of such Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for the Preferred Stock at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of the Preferred Stock.

(h) **Reservation of Stock Issuable Upon Conversion.** The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of such series of Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of such series of Preferred Stock, in addition to such other remedies as shall be available to the holders of such Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in commercially reasonable efforts to obtain the requisite stockholder approval of any necessary amendment to this Restated Certificate.

(i) **Payment of Taxes.** The Corporation will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of shares of Common Stock upon conversion of shares of Preferred Stock, excluding any tax or other charge imposed in connection with any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered.

5. **Voting Rights.**

(a) **General.** Except as expressly provided in this Restated Certificate or as provided by law, the holders of Preferred Stock shall have the same right to vote or act on all matters on which the holders of Common Stock have the right to vote or act and the holders of Preferred Stock shall be entitled to notice of any stockholders' meeting or action as to such matters on the same basis as the holders of Common Stock, and the holders of Common Stock and Preferred Stock shall vote together or act together thereon as if a single class on all such matters. Each holder of Common Stock shall be entitled to one vote for each share of Common Stock held, and each holder of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Preferred Stock could then be converted. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all shares into which shares of Preferred Stock held by each holder could then be converted) shall be rounded downward to the nearest whole number.

(b) **Election of Directors.** The holders of record of the shares of Series B Preferred Stock, exclusively and as a separate class, shall be entitled to elect one director of the Corporation (the "**Series B Director**"), the holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect three directors of the Corporation (the "**Series A Directors**" and, together with the Series B Director, the "**Preferred Directors**"), the holders of record of the shares of Preferred Stock, exclusively and voting together as a single class on an as-converted basis, shall be entitled to elect one director of the Corporation and the holders of record of the shares of Common Stock, exclusively and as a separate class, shall be entitled to elect one director of the Corporation. Any director elected as provided in the preceding sentence may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. If the holders of shares of Series B Preferred Stock, Series A Preferred Stock, Preferred Stock or Common Stock, as the case may be, fail to elect a sufficient number of directors to fill all directorships for which they are entitled to elect directors, voting exclusively and as a separate class, pursuant to the first sentence of this Section 5(b), then any directorship not so filled shall remain vacant until such time as the holders of the Series B Preferred Stock, Series A Preferred Stock, Preferred Stock or Common Stock, as the case may be, elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively and as a separate class. The holders of record of the shares of Common Stock and Preferred Stock, voting together as a single class on an as-converted basis, shall be entitled to elect the balance of the total number of directors of the Corporation. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Section 5(b), a vacancy in any directorship filled by the holders of any class or series shall be filled only by

vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of such class or series pursuant to this Section 5(b).

(c) 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 California General Corporation Law ("**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 (a) the names of such candidate or candidates have been placed in nomination prior to the voting and (b) 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.

(d) 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 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.

6. **Protective Provisions.**

(a) At any time when at least ten percent (10%) of the shares of Preferred Stock originally issued remain outstanding, the Corporation shall not (by amendment, merger, consolidation or otherwise, and either directly or indirectly by subsidiary) without first obtaining the approval (by the written consent or affirmative vote) of the holders of a majority of the then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis (in addition to any other vote required by law or the Certificate of Incorporation):

(i) effect (1) a liquidation, dissolution or winding up of the Corporation, (2) an Acquisition of the Corporation, or (3) any other merger or consolidation of the Corporation, or a subsidiary of the Corporation, with or into any other entity;

(ii) amend, alter or repeal any provision of this Restated Certificate or Bylaws of the Corporation, whether by merger, consolidation or otherwise;

(iii) effect any recapitalization or reclassification of any shares of the Corporation's outstanding capital stock;

(iv) increase or decrease (other than by conversion or in accordance with the redemption provisions of this Restated Certificate) the total number of authorized shares of Common Stock, Preferred Stock or any series of Preferred Stock;

(v) create, or authorize the creation of, or issue or obligate itself to issue shares of, any additional class or series of capital stock unless the rights, preferences and privileges with respect thereto rank junior to the Series A Preferred Stock and the Series B Preferred Stock;

(vi) purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation, or repay any loans to any holders of capital stock of the Corporation other than (1) redemptions of or dividends or distributions on the Preferred Stock as expressly authorized herein, (2) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock and (3) repurchases of stock issued pursuant to options or restricted stock purchase agreements approved by the Board of Directors, including the approval of at least one of the Preferred Directors, from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at not more than the original purchase price thereof;

(vii) create, or authorize the creation of, or issue, or authorize the issuance of any debt security or other indebtedness, or permit any subsidiary to take any such action with respect to any debt security or other indebtedness, if the aggregate indebtedness of the Corporation and its subsidiaries for borrowed money following such action would exceed $500,000, other than trade payables incurred in the ordinary course of business;

(viii) increase in the number of shares authorized for issuance under the Company's existing equity incentive plan or create, or authorize the creation of, any equity incentive plan, in each case unless approved by the Board of Directors, including at least one of the Series A Directors and the Series B Director then in office, if any; or

(ix) change the authorized number of directors of the Corporation.

(b) At any time when at least twenty-five percent (25%) of the originally issued shares of a series of Preferred Stock are issued and outstanding, the Corporation shall not (by amendment, merger, consolidation or otherwise, and either directly or indirectly by subsidiary) without first obtaining the approval (the written consent or affirmative vote) of the holders of a majority of the then outstanding shares of such series of Preferred Stock, voting together as a separate series (in addition to any other vote required by law or the Certificate of Incorporation): effect an amendment, alteration, or repeal of any provision of the Restated Certificate or the Bylaws of the Corporation that alters or changes the voting or other powers, preferences or other special rights, privileges or restrictions of such series of Preferred Stock (whether by merger, consolidation or otherwise) so as to adversely affect the rights, preferences and privileges of such series of Preferred Stock and in a manner different than any other series of Preferred Stock (it being understood that a series of Preferred Stock shall not be affected differently because of the proportional differences in the amounts of respective issue prices, liquidation preferences and

redemption prices that arise out of differences in the original issue price vis-à-vis other series of Preferred Stock).

7. **Status of Converted Stock.** In the event any shares of Preferred Stock shall be converted pursuant to Section 4 above, the shares so converted shall be cancelled and shall not be issuable by the Corporation. This Restated Certificate shall be appropriately amended to effect the corresponding reduction in the Corporation's authorized capital stock.

8. **Repurchase of Shares.** If and to the extent the Corporation may from time to time be or become subject to certain provisions of the CGCL pursuant to the operation of Section 2115 thereof, each holder of an outstanding share of Preferred Stock shall be deemed to have waived application of Section 500 (or for purposes of former Sections 502 and 503 of the CGCL, and any successor provisions thereto) of the CGCL to the repurchase by the Corporation at a price not greater than the original purchase price of shares of Common Stock held by employees, officers, directors, consultants, independent contractors, advisors or other persons performing services for the Corporation or a subsidiary of the Corporation that are subject to restricted stock purchase agreements or stock option exercise agreements, which agreements were authorized by the approval of the Board of Directors and under which the Corporation has the option to repurchase such shares: (i) upon the occurrence of certain events, such as the termination of employment or services; or (ii) pursuant to the Corporation's exercise of rights of first refusal to repurchase such shares. Each holder of an outstanding share of Preferred Stock shall be deemed to agree that any such distributions can be made without regard to the "preferential rights amount" or "preferential rights" or "preferential dividends arrears amount" referenced in Section 500(b) of the CGCL.

(C) **Common Stock.** The powers, rights and restrictions granted to and imposed on the Common Stock are as set forth below in this Article IV(C).

1. **Dividend Rights.** Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, (including without limitation the holders of Preferred Stock), the holders of the Common Stock shall be entitled to receive, on a pro rata basis, when and as declared by the Board of Directors, out of any assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2. **Liquidation Rights.** Upon the liquidation, dissolution or winding up of the Corporation, or the occurrence of a Liquidation Transaction, the assets of the Corporation shall be distributed as provided in Section 2 of Article IV(B) of this Restated Certificate.

3. **Redemption.** The Common Stock are not redeemable.

4. **Voting Rights.** Each holder of Common Stock shall have the right to one vote per share of Common Stock and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law. Subject to Article IV(B)(6)(a)(iv) of this Restated Certificate, the number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote

of the holders of shares of stock of the Corporation representing a majority of the votes represented by all outstanding shares of stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law.

(D) **Notices.**

1. **Notices.** Except as otherwise set forth in this Restated Certificate, any notice required by the provisions of this Restated Certificate to be given to stockholders shall be in writing and shall be deemed given, subject to the additional provisions outlined below on the earliest of the following: (i) at the time of personal delivery, if delivery is in person; (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) one (1) business day after deposit with an express overnight courier for United States deliveries, or five (5) business days after such deposit for deliveries outside of the United States, with proof of delivery from the courier requested; or (iv) five (5) business days after deposit in the United States mail by certified mail (return receipt requested) for United States deliveries. All notices for delivery outside the United States will be sent by facsimile (or by other electronic communication in compliance with the provisions of the Delaware General Corporation Law) or by express courier. All notices not delivered personally or by facsimile (or other electronic communication) will be sent with postage and/or other charges prepaid, and properly addressed to the party to be notified at the address, facsimile number or electronic mail address (if applicable) last shown on the records of the Corporation for such stockholder. Notwithstanding the other provisions of this Restated Certificate, all notice periods or notice requirements in this Restated Certificate may be shortened or waived, either before or after the action for which notice is required, upon the written consent of the holders of (i) a majority of the Preferred Stock then outstanding, voting together as a single class on an as-converted basis and (ii) a majority of the outstanding shares that are entitled to such notice rights.

2. **Notices of Liquidation Transaction.** The Corporation shall give each holder of record of Preferred Stock written notice of any impending Liquidation Transaction not later than 10 days before the stockholders' meeting (if any) called to approve such Liquidation Transaction, or 10 days before the closing of such Liquidation Transaction, whichever is earlier, and shall also notify such holders in writing of the final approval (if any) and closing of such Liquidation Transaction. The first of such notices shall describe the material terms and conditions of the impending Liquidation Transaction and the provisions of Section 2 of Article IV(B) and the Corporation shall thereafter give such holders prompt notice of any material changes. Unless such notice requirements are waived, the Liquidation Transaction shall not take place sooner than 10 days after the Corporation has given the first notice provided for herein or sooner than 10 days after the Corporation has given notice of any material changes provided for herein.

3. **Notices of Record Date.** In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall deliver to each holder of each affected class, at least 10 days before the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such

dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(E) **Waiver.** Except for Sections 2(a), 2(b), 2(d)(i), 3(c), 4(d)(iii)(B)(6), 5(b), and 6(b) of Article IV(B) of this Restated Certificate, any of the rights, powers, preferences and other terms of the Preferred Stock set forth herein may be waived on behalf of all holders of Preferred Stock by the affirmative written consent or vote of the holders of a majority of the shares of Preferred Stock then outstanding, voting together as a single class on an as-converted basis; provided, that such waiver does not affect the holders of any series of Preferred Stock adversely and in a manner different from the holders of any other series of Preferred Stock.

ARTICLE V

The Board of Directors is expressly authorized to make, alter or repeal Bylaws of the Corporation.

ARTICLE VI

Elections of directors need not be by written ballot unless otherwise provided in the Bylaws of the Corporation.

ARTICLE VII

(A) To the fullest extent permitted by the Delaware General Corporation Law, as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

(B) The Corporation shall indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director or officer of the Corporation or any predecessor of the Corporation, or serves or served at any other enterprise as a director or officer at the request of the Corporation or any predecessor to the Corporation.

(C) Neither any amendment nor repeal of this Article VII, nor the adoption of any provision of the Corporation's Restated Certificate of Incorporation inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VII, would accrue or arise, before such amendment, repeal or adoption of an inconsistent provision."

* * *

The foregoing Restated Certificate of Incorporation has been duly adopted by this corporation's Board of Directors and stockholders in accordance with the applicable provisions of Sections 228, 242 and 245 of the Delaware General Corporation Law.

Executed at San Diego, California, on September 19, 2014.

/s/ Charles P. Theuer
Charles P. Theuer, President

AMENDED AND RESTATED
BYLAWS
of
TRACON PHARMACEUTICALS, INC.

ARTICLE I

OFFICES

Section 1.01 REGISTERED OFFICE. The registered office of **TRACON PHARMACEUTICALS, INC.** (the "Corporation"), in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle and its registered agent at such address is Corporation Service Company.

Section 1.02 PRINCIPAL OFFICE. The principal office for the transaction of the business of the Corporation shall be at such location, within or without the State of Delaware, as shall be designated by the Board of Directors of the Corporation (the "Board").

Section 1.03 OTHER OFFICES. The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board may from time to time determine or as the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 2.01 ANNUAL MEETINGS. Annual meetings of the stockholders of the Corporation for the purpose of electing directors and for the transaction of such other proper business as may come before such meetings may be held at such time, date and place as the Board shall determine by resolution.

Section 2.02 SPECIAL MEETINGS. Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board, or the Chairman of the Board, the Chief Executive Officer, the President or the Secretary of the Corporation or by a committee of the Board which, has been duly designated by the Board and whose powers and authority, as provided in a resolution of the Board or in these Bylaws, include the power to call such meetings, or by the holder or holders of greater than 50% of the then outstanding voting securities of the Corporation.

Section 2.03 PLACE OF MEETINGS. All meetings of the stockholders shall be held at such places, within or without the State of Delaware, as may from time to time be designated by the person or persons calling the respective meetings and specified in the respective notices or waivers of notice thereof.

Section 2.04 NOTICE OF MEETINGS. Except as otherwise required by law, notice of each meeting of the stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting by delivering a typewritten or printed notice thereof to him personally, or by depositing such notice in the United States mail or overnight delivery service, in a postage prepaid envelope, or by-hand delivery service, charges prepaid, directed to him at his address

furnished by him to the Secretary of the Corporation for such purpose or, if he shall not have furnished to the Secretary his address for such purpose, then at his address last known to the Secretary, or by transmitting a notice thereof to him at such address by telegraph, telecopy, cable or wireless. Except as otherwise expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. Every notice of a meeting of the stockholders shall state the place, date and hour of the meeting, and, in the case of a special meeting shall also state the purpose or purposes for which the meeting is called. Except as otherwise expressly required by law, notice of any adjourned meeting of the stockholders need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken.

A written waiver of notice, signed by a stockholder entitled to notice, whether signed before, at or after the time set for a given meeting, shall be deemed to satisfy the notice requirements set forth in the preceding paragraph for such stockholder with respect to such meeting. Attendance of a stockholder in person or by proxy at a stockholders' meeting shall constitute the equivalent of a written waiver of notice by such stockholder for such meeting, except when such stockholder 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.

Whenever notice is required to be given to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve month period, have been mailed addressed to such person at his address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall have been taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the Corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. No notice need be given to any person with whom communication is unlawful, nor shall there be any duty to apply for any permit or license to give notice to any such person.

Section 2.05 QUORUM. Except as provided by law, the holders of record of a majority in voting interest of the shares of stock of the Corporation entitled to be voted, present in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the stockholders of the Corporation or any adjournment thereof. The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. In the absence of a quorum at any meeting or any adjournment thereof, a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat or, in the absence therefrom of all the stockholders, any officer entitled to preside at or to act as secretary of such meeting may adjourn such meeting from time to time. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.

Section 2.06 ORGANIZATION. At each meeting of the stockholders, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

(a) the Chairman of the Board;

(b) if there is no Chairman of the Board or if the Chairman of the Board shall be absent from such meeting, the Chief Executive Officer or the President;

(c) if the Chairman of the Board, the Chief Executive Officer and the President shall be absent from such meeting, any other officer or director of the Corporation designated by the Board or the Executive Committee (if such a committee has been formed by the Board pursuant to these By-laws) to act as chairman of such meeting and to preside thereat; or

(d) a stockholder of record of the Corporation who shall be chosen as the chairman of such meeting by a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat.

The Secretary or, if the Secretary is presiding over the meeting in accordance with the provisions of this Section or if he or she is absent from such meeting, the person (who shall be the Assistant Secretary, if an Assistant Secretary shall be present thereat) whom the chairman of such meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof

Section 2.07 ORDER OF BUSINESS. The order of business at each meeting of the stockholders shall be determined by the chairman of such meeting, but such order of business may be changed by a majority in voting interest of those present or by proxy at such meeting and entitled to vote thereat.

Section 2.08 VOTING.

(a) At each meeting of the stockholders, each stockholder shall be entitled to vote in person or by proxy each share or fractional share of the stock of the Corporation which has voting rights on the matter in question and which shall have been held by him and registered in his name on the books of the Corporation:

(i) on the date fixed pursuant to Section 2.13 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting, or

(ii) if no such record date shall have been so fixed, then (A) at the close of business on the day next preceding the day on which notice of the meeting shall be given or (B) if notice of the meeting shall be waived, at the close of business on the day next preceding the day on which the meeting shall be held.

(b) Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors in such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes. Persons holding stock of the Corporation in a fiduciary capacity shall be entitled to vote such stock. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the Corporation he shall have expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon. Stock having voting power standing of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or with respect to which two or more persons have the same fiduciary relationship, shall be voted in accordance with the provisions of the General Corporation Law of the State of Delaware.

(c) Any such voting rights may be exercised by the stockholder entitled thereto in person or by his proxy appointed by an instrument in writing, subscribed by such stockholder or by his attorney thereunto authorized and delivered to the secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date unless said proxy shall provide for a longer period. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the secretary of the meeting prior to the voting of the proxy. At any meeting of the stockholders all matters, except as otherwise provided in the Certificate of Incorporation, in these Bylaws or by law, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat and thereon. The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. The vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by his proxy if there be such proxy, and it shall state the number of shares voted.

Section 2.09 LIST OF STOCKHOLDERS. The Secretary of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the entire duration thereof, and may be inspected by any stockholder who is present.

Section 2.10 STOCK LEDGER. The stock ledger of the Corporation shall be the only evidence as to which the stockholders are entitled to examine the stock ledger, the list required by Section 2.09 or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 2.11 INSPECTOR OF ELECTION. The directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector so appointed shall first subscribe an oath faithfully to execute the duties of an inspector at such meeting with strict impartiality and according to the best of his ability. Such inspectors shall decide upon the qualification of the voters and shall report the number of shares represented at the meeting and entitled to vote on such question, shall conduct and accept the votes, and, when the voting is completed, shall ascertain and report the number of shares voted respectively for and against the question. Reports of the inspectors shall be in writing and subscribed and delivered by them to the Secretary of the Corporation. Inspectors need not be stockholders of the Corporation, and any officer of the Corporation may be an inspector on any question other than a vote for or against a proposal in which he shall have a material interest. No director or candidate for the office of director shall act as an inspector of an election of directors.

Section 2.12 STOCKHOLDER ACTION WITHOUT MEETINGS. Except as may be otherwise provided by law or by the Certificate of Incorporation, any action required by the General Corporation Law of the State of Delaware 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 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. 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.

Section 2.13 RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which record date: (i) in the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting; (ii) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than ten days from the date upon which the resolution fixing the record date is adopted by the Board; and (iii) in the case of any other action, shall not be more than sixty days prior to such other action. If no record date is fixed: (i) 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; (ii) the record date for determining stockholders entitled to express consent to corporate action in

writing without a meeting when no prior action of the Board is required by 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 in accordance with applicable law, or, if prior action by the Board is required by law, shall be at the close of business on the day on which the Board adopts the resolution taking such prior action; and (iii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating

thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 3.01 GENERAL POWERS. The property, business and affairs of the Corporation shall be managed by or under the direction of the Board which may exercise all of the powers of the Corporation, except such as are, by the Certificate of Incorporation as amended from time to time, by these Bylaws or by law conferred upon or reserved to the stockholders.

Section 3.02 NUMBER AND TERM. The Board shall initially consist of two members. Thereafter, the number of directors that shall constitute the full Board shall be no fewer than one (1) and no greater than ten (10), as such number may be changed thereafter from time to time by resolution of the Board. Directors need not be stockholders of the Corporation. Each director shall hold office until his or her term expires, his or her earlier death, a successor is elected and qualified or until the director resigns or is removed.

Section 3.03 ELECTION OF DIRECTORS. The directors shall be elected by the stockholders of the Corporation, and at each election the persons receiving the greatest number of votes, up to the number of directors then to be elected, shall be the persons then elected. The election of directors is subject to any provisions contained in the Certificate of Incorporation relating thereto, including any provisions for a classified board, if any.

Section 3.04 RESIGNATION AND REMOVAL. Any director of the Corporation may resign at any time by giving written notice to the Board, the President or to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time is not specified, it shall take effect immediately upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Except as otherwise provided by the Certificate of Incorporation or by law, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of shares then entitled to vote at a meeting for the election of directors.

Section 3.05 VACANCIES. Except as otherwise provided in the Certificate of Incorporation, any vacancy in the Board, whether because of death, resignation, disqualification,

an increase in the number of directors or any other cause, may be filled by vote of the majority of the remaining directors, although less than a quorum, or by a sole remaining director. Each director so chosen to fill a vacancy shall hold office until his successor shall have been elected and shall qualify or until he shall resign or shall have been removed. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Upon the resignation of one or more directors from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided hereinabove in the filling of other vacancies.

Section 3.06 PLACE OF MEETING; TELEPHONE CONFERENCE MEETING. The Board may hold any of its meetings at such place or places within or without the State of Delaware as the Board may from time to time by resolution designate or as shall be designated by the person or persons calling the meeting or in the notice or waiver of notice of any such meeting. Directors may participate in any regular or special meeting of the Board by means of conference telephone or similar communications equipment pursuant to which all persons participating in the meeting of the Board can hear each other, and such participation shall constitute presence in person at such meeting.

Section 3.07 FIRST MEETING. The Board shall meet as soon as practicable after each annual election of directors and notice of such first meeting shall not be required.

Section 3.08 REGULAR MEETINGS. Regular meetings of the Board may be held at such times as the Board shall from time to time by resolution determine. If any day fixed for a meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting shall be held at the same hour and place on the next succeeding business day which is not a legal holiday. Except as provided by law, notice of regular meetings need not be given.

Section 3.09 SPECIAL MEETINGS. Special meetings of the Board may be called at any time by the Chairman of the Board, the Chief Executive Officer, the President, the Secretary or by any three directors, to be held at the principal office of the Corporation, or at such other place or places, within or without the State of Delaware, as the person or persons calling the meeting may designate.

Notice of the time and place of special meetings shall be given to each director either (i) by depositing such notice in the United States mail or overnight delivery service, in a postage prepaid envelope, or by-hand delivery service, charges prepaid, addressed to him at his address as it is shown upon the records of the Corporation, or if it is not so shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held, or by transmitting a notice thereof to him at such address by email, telegraph, telecopy, cable or wireless, at least 48 hours prior to the time of the holding of such meeting; or (ii) by orally communicating the time and place of the special meeting to him at least 48 hours

prior to the time of the holding of such meeting. Either of the notices as above provided shall be due, legal and personal notice to such director.

Section 3.10 ORGANIZATION. At each meeting of the Board, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence: (a) the Chairman of the Board; (b) the President; or (c) any director chosen by a majority of the directors present thereat. The Secretary or, in case of his or her absence, any person (who shall be an Assistant Secretary, if an Assistant Secretary shall be present thereat) whom the chairman shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

Section 3.11 QUORUM AND ACTION. Except as otherwise provided in these Bylaws or by law, the presence of a majority of the authorized number of directors shall be required to constitute a quorum for the transaction of business at any meeting of the Board, and all matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of a majority of the directors present, subject to Section 3.15. In the absence of a quorum, a majority of directors present at any meeting may adjourn the same from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. The directors shall act only as a Board, and the individual directors shall have no power as such.

Section 3.12 ACTION BY CONSENT. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or such committee. Such action by written consent shall have the same force and effect as the unanimous vote of such directors.

Section 3.13 COMPENSATION. No stated salary need be paid to directors, as such, for their services but, as fixed and changed from time to time by resolution of the Board, the directors may receive directors' fees, compensation and reimbursement for expenses for attendance at directors' meetings, for serving on committees and for discharging their duties; provided, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.14 COMMITTEES. The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the 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 place of any such absent or disqualified member. Any such committee, to the extent permitted by law and provided by a resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

Unless the Board otherwise provides, each committee designated by the Board may make, alter and repeal rules for conduct of such committee's business. In the absence of such rules, each committee shall conduct its business, substantially in the same manner as the Board conducts its business pursuant to these Bylaws. Unless otherwise provided by these Bylaws or any such rules or resolutions, notice of the time and place of each meeting of a committee shall be given to each member of such committee as provided in Section 3.09 of Article III of these Bylaws with respect to notices of special meetings of the Board. Any such committee shall keep written minutes of its meetings and report the same to the Board when required. Notwithstanding anything in these Bylaws to the contrary, no committee designated by the Board shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporation Law of the State of Delaware to be submitted to stockholders for approval or (ii) adopting, amending, altering or repealing any Bylaw of the Corporation.

Section 3.15 OFFICERS OF THE BOARD. A Chairman of the Board or a Vice Chairman may be appointed from time to time by the Board and shall have such powers and duties as shall be designated by the Board.

Section 3.16 INTERESTED DIRECTORS. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the disinterested stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

Section 4.01 OFFICERS. The officers of the Corporation shall be a Chief Executive Officer, President, a Secretary and a Treasurer. The Corporation may also have, at the discretion of the Board, a Chairman of the Board, one or more Vice Presidents, one or more

Assistant Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers as may be appointed in accordance with the provisions of Section 4.03 of these Bylaws. One person may hold two or more offices, except that the Secretary may not also hold the office of President. Officers need not be stockholders of the Corporation or citizens or residents of the United States of America.

Section 4.02 ELECTION AND TERM. The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 4.03 or Section 4.05 of these Bylaws, shall be chosen annually by the Board, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or until his successor shall be elected and qualified.

Section 4.03 SUBORDINATE OFFICERS. The Board may appoint, or may authorize the Chief Executive Officer or the President to appoint, such other officers as the business of the Corporation may require, each of whom shall have such authority and perform such duties as are provided in these Bylaws or as the Board or the Chief Executive Officer or the President from time to time may specify, and shall hold office until he shall resign or shall be removed or otherwise disqualified to serve.

Section 4.04 REMOVAL AND RESIGNATION. Any officer may be removed, with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board, by the Chairman of the Board or the Chief Executive Officer or the President upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Board, the Chairman of the Board, the President or the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.05 VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for the regular appointments to such office.

Section 4.06 CHAIRMAN OF THE BOARD. The Chairman of the Board, if any, shall preside at all meetings of the stockholders and the Board and exercise and perform such other powers and duties with respect to the administration of the business and affairs of the Corporation as may from time to time be assigned to him by the Board or as prescribed by these Bylaws. The Chairman of the Board shall preside at all meetings of the Board.

Section 4.07 CHIEF EXECUTIVE OFFICER/CHIEF OPERATING OFFICER. The Chief Executive Officer and/or a Chief Operating Officer, if such an officer is appointed by the Board, shall individually or jointly, as the case may be, have general and active management of the property, business and affairs of the Corporation, subject to the supervision and control of the Board. The Chief Executive Officer or the Chief Operating Officer, as the case may be, also

shall have such powers and perform such other duties as prescribed from time to time by the Board.

Section 4.08 PRESIDENT. The President of the Corporation shall, subject to the control of the Board, have general supervision, direction and control of the business and affairs of the Corporation. He shall have the general powers and duties of management usually vested in the president of a corporation, and shall have such other powers and duties with respect to the administration of the business and affairs of the Corporation as may from time to time be assigned to him by the Board or as prescribed by these Bylaws.

Section 4.09 VICE PRESIDENT. The Vice President(s), if any, shall exercise and perform such powers and duties with respect to the administration of the business and affairs of the Corporation as from time to time may be assigned to each of them by the Chief Executive Officer or the President, by the Chairman of the Board, if any, by the Board or as is prescribed by the Bylaws. In the absence or disability of the Chief Executive Officer or the President, the Vice Presidents, in order of their rank as fixed by the Board, or if not ranked, the Vice President designated by the Board, shall perform all of the duties of the President and when so acting shall have all of the powers of and be subject to all the restrictions upon the Chief Executive Officer and the President.

Section 4.10 SECRETARY. The Secretary shall keep, or cause to be kept, a book of minutes at the principal office for the transaction of the business of the Corporation, or such other place as the Board may order, of all meetings of directors and stockholders, with the time and place of holding, whether regular or special, and if special, how authorized and the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at stockholders' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office for the transaction of the business of the Corporation or at the office of the Corporation's transfer agent, a share register, or a duplicate share register, showing the names of the stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates (or their uncertificated equivalents) issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation (or their uncertificated equivalents).

The Secretary shall give, or cause to be given, notice of all the meetings of the stockholders and of the Board required by these Bylaws or by law to be given, and he shall keep the seal of the Corporation in safe custody, and shall have such other powers and perform such

other duties as may be prescribed by the Board or these Bylaws. If for any reason the Secretary shall fail to give notice of any special meeting of the Board called by one or more of the persons identified in Section 3.09 of these Bylaws, or if he shall fail to give notice of any special meeting of the stockholders called by one or more of the persons identified in Section 2.02 of these Bylaws, then any such person or persons identified in such sections may give notice of any such special meeting.

Section 4.11 TREASURER. The Treasurer shall keep and maintain or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions

of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. Any surplus, including earned surplus, paid-in surplus and surplus arising from a reduction of capital, shall be classified according to source and shown in a separate account. The books of account at all reasonable times shall be open to inspection by any director.

The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board. He shall disburse the funds of the Corporation as may be ordered by the Board, shall render to the President, to the Chief Executive Officer and to the directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

Section 4.12 ASSISTANT SECRETARIES. Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 4.13 ASSISTANT TREASURERS. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board, the Chief Executive Officer, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 4.14 OTHER OFFICERS. Such other officers as the Board may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

Section 4.15 COMPENSATION. The compensation of the officers of the Corporation, if any, shall be fixed from time to time by the Board.

Section 4.16 VOTING SECURITIES OWNED BY THE CORPORATION. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer, the President or any Vice President and any such

officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board may, by resolution, from time to time confer like powers upon any other person or persons.

ARTICLE V

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

Section 5.01 EXECUTION OF CONTRACTS. The Board, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board or by these Bylaws, 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 in any amount.

Section 5.02 CHECKS, DRAFTS, ETC. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board. Each such person shall give such bond, if any, as the Board may require.

Section 5.03 DEPOSIT. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select, or as may be selected by any officer or officers, assistant or assistants, agent or agents, attorney or attorneys, of the Corporation to whom such power shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of the Corporation, the President, the Chief Executive Officer, any Vice President or the Treasurer (or any other officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation who shall be determined by the Board from time to time) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

Section 5.04 GENERAL AND SPECIAL BANK ACCOUNTS. The Board from time to time may authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board may select or as may be selected by an officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these Bylaws, as it may deem expedient.

Section 5.05 AUDITS, ACCOUNTS AND REPORTS. The books of account of the Company shall be audited at least once during each year by a firm of independent certified accountants.

Section 5.06 ACCESS. All books and records of the Company shall be kept at the principal place of business of the Company. Each shareholder may, at its own expense, after giving written notice to the Company, audit, investigate and familiarize itself with the operations of the Company using its own employees or such certified public accounting firm, qualified external auditor or other advisers as it may select. The shareholders" rights under this Section 5.06, which shall include the right to make copies of any relevant documents, shall be exercised such that the actions of the shareholders or their respective agents do not interfere unreasonably with the operation of the Company in its ordinary course of business.

Section 5.07 FISCAL YEAR. The fiscal year of the Company shall end on December 31 of each year.

Section 5.08 ACCOUNTING POLICY. The Company shall maintain accounting records, accounts and related financial statements in accordance with United States generally accepted accounting principles applied on a consistent basis.

Section 5.09 DIVIDENDS. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board at any regular or special meeting, and may be paid in cash, in property or in shares of capital stock. 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 from time to time, in its absolute discretion, deems 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 any proper purpose, and the Board may modify or abolish any such reserve.

ARTICLE VI

BOOKS AND RECORDS

The books and records of the Corporation may be kept at such place or places within or without the State of Delaware as the Board may from time to time determine; provided, however, that to the extent required by law, the Corporation shall keep at its office in the State of Delaware, or at the office of its transfer agent or registrar in the State of Delaware, a record containing the names and addresses of all stockholders of the Corporation, the number and class of shares held by each of them, and the dates when they respectively became owners of record of such shares.

ARTICLE VII

SHARES AND THEIR TRANSFER

Section 7.01. CERTIFICATES FOR SHARES. The shares of stock of the Corporation shall be represented by certificates, or shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock, or a combination of both. To the extent that shares are represented by certificates, such certificates whenever authorized by the Board, shall be in such form as shall be approved by the Board. The certificates representing shares of stock of each class shall be signed by, or in the name of, the Corporation by the Chairman of the Board or Vice Chairman of the Board, or by the President or any Vice President, and by the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer of the Corporation, which may be a facsimile thereof Any or all such signatures may be facsimiles if countersigned by a transfer agent or registrar. Although any officer, transfer agent or registrar whose manual or facsimile signature is affixed to such a certificate ceases to be such officer, transfer agent or registrar before such certificate has been issued, it may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were still such at the date of its issue. The stock ledger and blank share certificates shall be kept by the Secretary or by a transfer agent or by a registrar or by any other officer or agent designated by the Board.

Section 7.02. TRANSFER OF SHARES. Transfers of shares of stock of each class of the Corporation shall be made only on the books of the Corporation upon authorization by the registered holder thereof, or by such holder's attorney thereunto authorized by a power of

attorney duly executed and filed with the Secretary or a transfer agent for such stock, if any, and if such shares are represented by a certificate, upon surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power (or by proper evidence of succession, assignment or authority to transfer) and the payment of any taxes thereon; provided, however, that the Corporation shall be entitled to recognize and enforce any lawful restriction on transfer. The person in whose name shares are registered on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation; provided, however, that whenever any transfer of shares shall be made for collateral security and not absolutely, and written notice thereof shall be given to the Secretary or to such transfer agent, such fact shall be stated in the entry of the transfer. No transfer of shares shall be valid as against the Corporation, its stockholders and creditors for any purpose, except to render the transferee liable for the debts of the Corporation to the extent provided by law, until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 7.03. LOST, DESTROYED AND MUTILATED CERTIFICATES. The holder of any certificate representing any shares of stock of the Corporation shall immediately notify the Corporation of any loss, theft, destruction or mutilation of such certificate; the Corporation may issue to such holder a new certificate or certificates for shares, upon the surrender of the mutilated certificate or, in the case of loss, theft or destruction of the certificate, upon satisfactory proof of such loss, theft or destruction; the Board, or a committee designated thereby, or the transfer agents and registrars for the stock, may, in their discretion, require the owner of the lost, stolen or destroyed certificate, or such person's legal representative, to give the Corporation a bond in such sum and with such surety or sureties as they may direct to indemnify the Corporation and said transfer agents and registrars against any claim that may be made on

account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 7.04. REGULATIONS. The Board may make such additional rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificated or uncertificated shares of stock of each class and series of the Corporation and may make such rules and take such action as it may deem expedient concerning the issue of certificates in lieu of certificates claimed to have been lost, destroyed, stolen or mutilated.

Section 7.05 REPRESENTATION OF SHARES OF OTHER CORPORATIONS. The Chief Executive Officer, President or any Vice President and the Secretary or any Assistant Secretary of this Corporation are authorized to vote, represent and exercise on behalf of this Corporation all rights incident to all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said officers to vote or represent on behalf of this Corporation any and all shares held by this Corporation in any other corporation or corporations may be exercised either by such officers in person or by any person authorized so to do by proxy or power of attorney duly executed by said officers.

Section 7.06. TRANSFER AGENTS AND REGISTRARS. The Board may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars.

ARTICLE VIII

INDEMNIFICATION

8.01 POWER TO INDEMNIFY IN ACTIONS, SUITS OR PROCEEDINGS OTHER THAN THOSE BY OR IN THE RIGHT OF THE CORPORATION. Subject to the Certificate of Incorporation and Section 8.03, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 8.02 POWER TO INDEMNIFY IN ACTIONS, SUITS OR PROCEEDINGS BY OR IN THE RIGHT OF THE CORPORATION. Subject to the Certificate of Incorporation and Section 8.03, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including reasonable attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in

view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

Section 8.03 AUTHORIZATION OF INDEMNIFICATION. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 8.01 or Section 8.02, as the case may be. Such determination shall be made (i) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders who were not parties to such action, suit or proceeding. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including reasonable attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 8.04 GOOD FAITH DEFINED. For purposes of any determination under this Article VIII, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an apprais-er or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Article VIII shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person

is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 8.04 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 8.01 or 8.02, as the case may be.

Section 8.05 INDEMNIFICATION BY A COURT. Notwithstanding any contrary determination in the specific case under Section 8.03, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 8.01 and 8.02. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections 8.01 or 8.02, as the case may be. Neither a contrary determination in the specific case under Section 8.03 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 8.05 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 8.06 EXPENSES PAYABLE IN ADVANCE. Expenses incurred by a director or officer in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

Section 8.07 NONEXCLUSIVITY OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 8.01 and 8.02 shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 8.01 or 8.02 but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise.

Section 8.08 INSURANCE. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation

would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

Section 8.09 CERTAIN DEFINITIONS. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit

plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, 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 or officer 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 Article VIII.

Section 8.10 SURVIVAL OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 8.11 LIMITATION ON INDEMNIFICATION. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 8.05), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board.

Section 8.12 INDEMNIFICATION OF EMPLOYEES AND AGENTS. The Corporation may, to the extent authorized from time to time by the Board, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

Section 8.13 CONTRACT RIGHTS. With respect to any person made or threatened to be made a party to any proceeding by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another enterprise, the rights to indemnification and to the advancement of expenses conferred in this Article VIII shall be contract rights.

Section 8.14 MODIFICATION. Any repeal or modification of the foregoing provisions of this Article VIII shall not adversely affect any right or protection hereunder of any indemnitee in respect of any act or omission occurring prior to the time of such repeal or modification. In the event the General Corporation Law of the State of Delaware is amended after the date hereof to authorize corporate action further limiting or eliminating the personal liability of directors or officers, then the personal liability of a director or officer of the Corporation shall be further limited or eliminated to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

ARTICLE IX

MISCELLANEOUS

Section 9.01 WAIVER OF NOTICES. Whenever notice is required to be given under any provision of these bylaws, the Certificate of Incorporation or by law, a written waiver, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when a person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice unless required by the Certificate of Incorporation.

Section 9.02 LOANS AND GUARANTIES. The Corporation may lend money to, or guarantee any obligation of, and otherwise assist any officer or other employee of the Corporation or of its subsidiaries, including any officer who is a director, whenever, in the judgment of the Board, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty, or other assistance may be with or without interest, and may be unsecured or secured in such manner as the Board shall approve, including, without limitation, a pledge of shares of stock of the Corporation.

Section 9.03 GENDER. All personal pronouns used in these Bylaws shall include the other genders, whether used in the masculine, feminine or neuter gender, and the singular shall include the plural, and vice versa, whenever and as often as may be appropriate.

Section 9.04 AMENDMENTS. These Bylaws, or any of them, may be rescinded, altered, amended or repealed, and new Bylaws may be made (i) by the Board, by vote of a majority of the number of directors then in office as directors, acting at any meeting of the Board or (ii) by the stockholders, by the vote of a majority of the outstanding shares of voting stock of the Corporation, at an annual meeting of stockholders, without previous notice, or at any special meeting of stockholders; provided; that notice of such proposed amendment, modification, repeal or adoption is given in the notice of special meeting; provided, however, that Section 2.02 of these Bylaws can only be amended if that Section as amended would not conflict with the Corporation's Certificate of Incorporation. Any Bylaw made or altered by the

stockholders may be altered or repealed by the Board or may be altered or repealed by the stockholders.

Section 9.05 CERTIFICATE OF INCORPORATION. Notwithstanding anything to the contrary contained herein, if any provision contained in these Bylaws is inconsistent with or conflicts with a provision of the Certificate of Incorporation, such provision of these Bylaws shall be superseded by the inconsistent provision in the Certificate of Incorporation to the extent necessary to give effect to such provision in the Certificate of Incorporation.

Section 9.06 RATIFICATION. Any transaction questioned in any stockholders' derivative suit on the grounds of lack of authority, defective or irregular execution, adverse interest of director, officer or stockholder, nondisclosure, miscomputation or the application of improper principles or practices of accounting, may be ratified before or after judgment, by the Board or by the stockholders in case less than -a quorum of directors are qualified, and, if so ratified, shall have the same force and effect as if the questioned transaction had been originally duly authorized, and said ratification shall be binding upon the Corporation and its stockholders, and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

Exhibit 4.2

EXECUTION VERSION

TRACON PHARMACEUTICALS, INC.

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

September 19, 2014

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TRACON PHARMACEUTICALS, INC.

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

This Amended and Restated Investors' Rights Agreement (the "**Agreement**") is made as of the 19th day of September, 2014, by and among TRACON Pharmaceuticals, Inc., a Delaware corporation (the "**Company**"), and the investors listed on Exhibit A hereto, each of which is herein referred to as an "**Investor**."

RECITALS

WHEREAS, certain of the Investors (the "**Existing Investors**") hold shares of the Company's Series A Preferred Stock (the "**Series A Preferred Stock**") and/or shares of Common Stock issued upon conversion thereof and possess registration rights, information rights, rights of first offer, and other rights pursuant to an Investors' Rights Agreement dated as of March 28, 2011 between the Company and such Investors (the "**Prior Agreement**");

WHEREAS, the Existing Investors are holders of at least sixty percent (60%) of the Registrable Securities of the Company (as defined in the Prior Agreement) and the Lead Investors (as defined in the Prior Agreement), and desire to amend and restate the Prior Agreement in its entirety and to accept the rights created pursuant to this Agreement in lieu of the rights granted to them under the Prior Agreement; and

WHEREAS, certain of the Investors are purchasing shares of Series B Preferred Stock (the "**Series B Preferred Stock**" and together with the Series A Preferred Stock, the "**Preferred Stock**") pursuant to that certain Series B Preferred Stock Purchase Agreement of even date herewith among the Company and certain of the Investors (the "**Purchase Agreement**"), under which certain of the Company's and such Investors' obligations are conditioned upon the execution and delivery of this Agreement by the parties hereto.

AGREEMENT

NOW, THEREFORE, the Existing Investors hereby agree that the Prior Agreement shall be amended and restated in its entirety by this Agreement, and the parties to this Agreement further agree as follows:

1. Registration Rights. The Company and the Investors covenant and agree as follows:

1.1 **Definitions.** For purposes of this Section 1:

(a) "**Affiliated Fund**" means, with respect to a Holder, a fund or entity managed by the same manager or managing member or general partner or management company or by an entity controlling, controlled by, or under common control with such manager or managing member or general partner or management company;

(b) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended (and any successor thereto) and the rules and regulations promulgated thereunder;

(c) "**Excluded Registration**" means a registration statement relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Securities Act, or a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities which are also being registered;

(d) "**Form S-3**" means such form under the Securities Act as in effect on the date hereof or any successor form under the Securities Act that permits significant incorporation by reference of the Company's subsequent public filings under the Exchange Act;

(e) "**Holder**" means any Investor owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.12 of this Agreement;

(f) "**Lead Investor**" means New Enterprise Associates 14, L.P. and any Affiliated Fund;

(g) "**Major Investor**" means any Investor that holds at least 1,000,000 shares of the Preferred Stock or the Common Stock issued upon conversion thereof (subject to adjustment for stock splits, stock dividends, combinations, reclassifications or the like). A Major Investor includes any general partners, managing members and affiliates of a Major Investor, including Affiliated Funds;

(h) "**Qualified IPO**" means a firm commitment underwritten public offering by the Company of shares of its Common Stock prior to or in connection with which all the then-outstanding shares of Preferred Stock are converted automatically into shares of Common Stock pursuant to the Company's Restated Certificate of Incorporation as such Restated Certificate of Incorporation may be amended from time to time (the "**Restated Certificate**");

(i) "**Register**," "**registered**," and "**registration**" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document;

(j) "**Registrable Securities**" means (i) the shares of Common Stock issuable or issued upon conversion of the Preferred Stock held by the Holders and any assignee thereof in accordance with Section 1.12 of this Agreement, and (ii) any other shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares listed in (i); excluding, however, in all cases any Registrable Securities sold in a transaction in which the rights under this Agreement are not assigned, or any shares for which registration rights have terminated pursuant to Section 1.15 of this Agreement;

(k) The number of shares of "**Registrable Securities then outstanding**" shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities;

(l) "**SEC**" means the Securities and Exchange Commission; and

(m) "**Securities Act**" means the Securities Act of 1933, as amended (and any successor thereto) and the rules and regulations promulgated thereunder.

1.2 **Request for Registration**.

(a) If the Company shall receive at any time after the earlier of (i) September 19, 2018, or (ii) six months after the effective date of the initial public offering by the Company of shares of its Common Stock, a written request from the Holders of a majority of the Registrable Securities then outstanding (the "**Initiating Holders**") that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities with an anticipated aggregate offering price of at least $5,000,000, then the Company shall, within 20 days after receiving such request, give written notice of such request to all Holders and shall, subject to the limitations of subsection 1.2(b), use all commercially reasonable efforts to cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered within 20 days after the mailing of such notice by the Company.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request and the Company shall include such information in the written notice referred to in subsection 1.2(a). The underwriter will be selected by the Company which underwriter shall be reasonably acceptable to a majority in interest of the Holders whose Registrable Securities are to be included in the underwriting. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. The Company and all Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Company in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all participating Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each participating Holder. In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded from such offering. Any Registrable Securities excluded from or withdrawn from such underwriting shall be withdrawn from registration.

(c) Notwithstanding the foregoing, if the Company shall furnish to the Initiating Holders a certificate signed by the Chief Executive Officer or the Chairman of the Board of Directors of the Company (the "**Board**") stating that in the good faith judgment of the Board it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed, the Company shall have the right to defer such filing for a period of not

more than 90 days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any 12-month period, and provided, further, that the Company shall not register any securities for the account of itself or any other stockholder during such 90-day period (other than in a Qualified IPO or an Excluded Registration).

(d) In addition, the Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 1.2:

(i) After the Company has effected two registrations pursuant to this Section 1.2 provided, however, that such registrations have been declared or ordered effective and that either (A) the conditions of Section 1.5(a) have been satisfied or (B) the registration statements remain effective and there are no stop orders in effect to such registration statements;

(ii) During the period starting with the date 90 days prior to the Company's good faith estimate of the date of filing of, and ending on a date 180 days after the effective date of, a registration subject to Section 1.3 hereof unless such offering is not the initial public offering of the Company's securities, in which case, ending on a date 90 days after the effective date of such registration subject to Section 1.3 hereof; provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(iii) If the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 1.4 below.

1.3 **Company Registration**.

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its stock under the Securities Act in connection with the public offering of such securities solely for cash (other than in a Qualified IPO or an Excluded Registration), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within 20 days after mailing of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 1.8, use all commercially reasonable efforts to cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered if any stock of the Company is registered.

(b) The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such registration shall be borne by the Company, in accordance with Section 1.7 hereof.

1.4 **Form S-3 Registration.** In case the Company shall receive from any Holder or Holders of at least 20% of the Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form S-3 and any related qualification or

compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) use all commercially reasonable efforts to effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4: (i) if Form S-3 is not available for such offering by the Holders; (ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than $1,000,000; (iii) if the Company shall furnish to the Holders a certificate signed by the Chief Executive Officer of the Company or Chairman of the Board stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed, the Company shall have the right to defer such filing for a period of not more than 90 days after receipt of the request of the Holder or Holders under this Section 1.4; provided, however, that the Company shall not utilize this right more than once in any 12-month period; (iv) in any jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already qualified to do business or subject to service of process in that jurisdiction; or (v) during the period ending 90 days after the effective date of a registration statement subject to Section 1.3.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as demands for registration or registrations effected pursuant to Sections 1.2 or 1.3, respectively.

1.5 **Obligations of the Company.** Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all commercially reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a

majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to 120 days, or until the distribution described in such registration statement is completed, if earlier.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as

may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for up to 120 days, or until the distribution described in such registration statement is completed, if earlier.

(c) Promptly notify the Holders of the effectiveness of such registration statement, and furnish to the Holders such numbers of copies of a prospectus, including any supplement to the prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Following the effective date of such registration statement, notify the Holders of any request by the SEC that the Company amend or supplement such registration statement, or the associated prospectus.

(e) Use all commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions unless the Company is already qualified to do business or subject to service of process in that jurisdiction.

(f) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder and other security holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(g) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, such obligation to continue for 180 days or until the distribution described in such registration statement is completed, if earlier.

(h) Cause all such Registrable Securities registered pursuant to this Section 1 to be listed on each national securities exchange or trading system on which similar securities issued by the Company are then listed.

(i) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(j) Make generally available to its security holders, and to deliver to each Holder participating in the registration statement, an earnings statement of the Company that will satisfy the provisions of Section 11(a) of the Securities Act covering a period of 12 months beginning after the effective date of such registration statement as soon as reasonably practicable after the termination of such 12-month period.

1.6 **Information From Holders.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding such Holder, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities. The Company shall have no obligation with respect to any registration requested pursuant to Section 1.2 or Section 1.4 of this Agreement if, as a result of the application of the preceding sentence, the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in subsection 1.2(a) or subsection 1.4(b)(2), whichever is applicable.

1.7 **Expenses of Registration.** All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4 including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for the selling Holders shall be borne by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 or 1.4 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2; provided further, however, that if at the time of such withdrawal, the Holders (i) have learned of a material adverse change in the condition, business, or prospects of the Company that was not known to the Holders

at the time of their request and (ii) have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall not forfeit their rights pursuant to Section 1.2.

1.8 **Underwriting Requirements.** In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as reasonably agreed upon between the Company and the underwriters selected by the Company (or by other persons entitled to select the underwriters), and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling stockholders according to the total amount of securities entitled to be included therein owned by each selling stockholder or in such other proportions as shall mutually be agreed to by such selling stockholders) but in no event shall (i) the amount of securities of the selling Holders included in the offering be reduced below 35% of the total amount of securities included in such offering, unless such offering is a Qualified IPO, in which case, the selling stockholders may be excluded if the underwriters make

the determination described above and no other stockholder's securities are included or (ii) any securities held by any stockholder (other than a Holder) be included if any securities held by any selling Holder are excluded. For purposes of the preceding parenthetical concerning apportionment, for any selling stockholder which is a holder of Registrable Securities and which is a venture capital fund, or a partnership or corporation, the Affiliated Funds, partners, retired partners and stockholders of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "**selling stockholder**," and any pro-rata reduction with respect to such "selling stockholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling stockholder," as defined in this sentence.

1.9 **Delay of Registration.** No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.10 **Indemnification.** In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "**Violation**"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed), nor shall the Company be liable to any Holder, underwriter or controlling person for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the

registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with any untrue statement of material fact furnished in writing (or omission of a material fact required to be stated therein to make the statements therein not misleading) by such Holder expressly for use in connection with such registration; and each

such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.10(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld, conditioned or delayed; provided, further, that in no event shall any indemnity under this subsection 1.10(b) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.10 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.10, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.10, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.10.

(d) If the indemnification provided for in this Section 1.10 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable

considerations; provided, that in no event shall any contribution by a Holder under this Subsection 1.10(d) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission. The aggregate amount paid by any Holder pursuant to the indemnity obligation set forth in Section 1.10(b) together with any amount paid pursuant the contribution requirement set forth in this Section 1.10(d) shall in no circumstances exceed the net proceeds from the offering received by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.10 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.11 **Reports Under the Exchange Act.** With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after 90 days after the effective date of the Qualified IPO so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder upon request, so long as the Holder owns any Registrable Securities, (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after 90 days after the effective date of the Qualified IPO), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company,

and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

1.12 **Assignment of Registration Rights.** The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee (i) of at least 1,000,000 shares of such securities (subject to adjustment for stock splits, stock dividends, reclassification or the like) (or if the transferring Holder owns less than 1,000,000 shares of such securities (subject to adjustment for stock splits, stock dividends, combinations, reclassifications or the like), then all Registrable Securities held by the transferring Holder), (ii) that is a subsidiary, parent, partner, limited partner, retired partner, member, retired member or stockholder of a Holder, (iii) that is an Affiliated Fund, (iv) who is a Holder's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (such a relation, a Holder's "**Immediate Family Member**", which term shall include adoptive relationships), or (v) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if the transferee agrees in writing to be bound by this Agreement and immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. For the purposes of determining the number of shares of Registrable Securities held by a transferee or assignee, the holdings of transferees and assignees of (x) a partnership who are partners or retired partners of such partnership or (y) a limited liability company who are members or retired members of such limited liability company (including Immediate Family Members of such partners or members who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with the partnership or limited liability company; provided that all assignees and transferees who would not qualify individually for assignment of registration rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under Section 1.

1.13 **Limitations on Subsequent Registration Rights.** From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the outstanding Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company that grants any registration rights.

1.14 **Lock-Up Agreement.**

(a) **Lock-Up Period; Agreement.** In connection with the Company's initial public offering and upon request of the Company or the underwriters managing such offering of the Company's securities, each Holder agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company held prior to the date of such initial public offering, however or whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days from the effective date of such registration statement as may be requested by the Company or such managing underwriters and

to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the Company's initial public offering. The managing underwriters of the Company's initial public offering shall be third party beneficiaries of this Section 1.14(a) and shall be entitled to enforce the same.

(b) **Limitations; Early Release.** The obligations described in Section 1.14(a) shall apply only if all officers and directors of the Company and all at least 1% stockholders enter into similar agreements. Such obligations do not apply to a registration relating solely to employee benefit plans, or to a registration relating solely to a transaction pursuant to Rule 145 under the Securities Act. If the Company or any underwriter waives or terminates the restrictions of any or all lock-up agreements with respect to Company shares, such waiver or termination, as applicable, shall apply pro rata to all Holders, based on the number of shares subject to lock-up agreements.

(c) **Stop-Transfer Instructions.** In order to enforce the foregoing covenants, the Company may impose stop-transfer instructions with respect to the securities of each Holder (and the securities of every other person subject to the restrictions in this Section 1.14).

(d) **Transferees Bound.** Each Holder agrees that prior to the Company's initial public offering it will not transfer securities of the Company unless each transferee agrees in writing to be bound by all of the provisions of this Section 1.14.

(e) Each Holder agrees that a legend reading substantially as follows shall be placed on all certificates representing all Registrable Securities of each Holder (and the shares or securities of every other person subject to the restriction contained in this Section 1.14):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD OF UP TO 180 DAYS AFTER THE EFFECTIVE DATE OF THE ISSUER'S INITIAL REGISTRATION STATEMENT FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AS SET FORTH IN AN

AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE ISSUER'S PRINCIPAL OFFICE. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES.

1.15 **Termination of Registration Rights.** No Holder shall be entitled to exercise any right provided for in this Section 1 after the earlier of (i) with respect to any Holder, at such time after the Company's initial public offering as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares during a three-month period without registration, or (ii) upon termination of the Agreement, as provided in Section 3.1.

2. **Covenants of the Company**.

2.1 **Delivery of Financial Statements**. The Company shall deliver to each Major Investor:

(a) as soon as practicable, but in any event within 120 days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of stockholder's equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("**GAAP**"), and audited and certified by an independent public accounting firm of nationally recognized standing approved by the Board;

(b) as soon as practicable, but in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Company, an unaudited profit or loss statement, a statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter;

(c) within 30 days of the end of each month, an unaudited income statement and a statement of cash flows and balance sheet for and as of the end of such month, in reasonable detail and showing variances from the budget and business plan called for in subjection (d) of this Section 2.1;

(d) as soon as practicable, but in any event 30 days prior to the end of each fiscal year, a budget, business and operating plan for the next fiscal year, prepared on a monthly basis, and, as soon as prepared, any other updated or revised budgets for such fiscal year prepared by the Company; and

(e) with respect to the financial statements called for in subsections (b) and (c) of this Section 2.1, an instrument executed by the Chief Financial Officer or President of the Company and certifying on behalf of the Company that such financials were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (with the exception of footnotes that may be required by GAAP) and fairly present the financial condition of the Company and its results of operation for the period specified, subject to year-end audit adjustment, provided that the foregoing shall not restrict the right of the Company to change its accounting principles consistent with GAAP, if the Board or a committee thereof determines that it is in the best interest of the Company to do so.

Notwithstanding the foregoing, the Company shall not be obligated under this Subsection 2.1 to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in a form reasonably acceptable to the Company); or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Subsection 2.1 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation

of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its and its affiliates' (including for purposes of this Agreement and without limitation attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company); (ii) to any of its or its affiliates' (affiliate to include for purposes of this Agreement and without limitation any manager or managing member or general partner or management company) existing or prospective affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such person or entity that such information is confidential and directs such person or entity to maintain the confidentiality of such information, or (iii) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure (provided, however, that the Investor shall not be required to so notify the Company of any disclosure made in connection with a regulator's examination or inspection of such Investor or any its affiliates). Each Investor's obligation under this Section 2.1 to keep confidential, not disclose, divulge or use confidential information shall terminate on the earlier of the initial public filing of the Company or the declaration or ordering of effectiveness of any registration statement or document by the Company.

2.2 **Inspection.** The Company shall permit each Major Investor, at such Major Investor's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Major Investor.

2.3 **Right of First Offer.** Subject to the terms and conditions specified in this Section 2.3, the Company hereby grants to each Major Investor a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). For purposes of this Section 2.3, Major Investor includes any general partners, managing members and affiliates of a Major Investor, including Affiliated Funds. A Major Investor who chooses to exercise the right of first offer may designate as purchasers under such right itself or its partners or affiliates, including Affiliated Funds, in such proportions as it deems appropriate.

Each time the Company proposes to offer any shares of, or securities convertible into or exercisable for any shares of, any class of its capital stock ("**Shares**"), the Company shall first make an offering of such Shares to each Major Investor in accordance with the following provisions:

(a) The Company shall deliver a notice (the "**RFO Notice**") to the Major Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such Shares.

(b) Within 20 days after delivery of the RFO Notice, the Major Investor may elect to purchase or obtain, at the price and on the terms specified in the RFO Notice, up to that portion of such Shares which equals the proportion that the number of shares of Preferred Stock issued and held by such Major Investor bears to the total number of shares of Preferred Stock issued and held by all Major Investors. Such purchase shall be completed at the same closing as that of any third party purchasers or at an additional closing. The Company shall promptly, in

writing, inform each Major Investor that purchases all the shares available to it (each, a "**Fully-Exercising Investor**") of any other Major Investor's failure to do likewise. During the 10-day period commencing after receipt of such information, each Fully-Exercising Investor shall be entitled to obtain that portion of the Shares for which Major Investors were entitled to subscribe but which were not subscribed for by the Major Investors that is equal to the proportion that the number of shares of Preferred Stock issued and held by such Fully-Exercising Investor bears to the total number of shares of Preferred Stock issued and held by all Fully-Exercising Investors who wish to purchase some of the unsubscribed shares.

(c) The Company may, during the 45-day period following the expiration of the period provided in subsection 2.3(b) hereof, offer the remaining unsubscribed portion of the Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the RFO Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within 30 days after the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Major Investors in accordance herewith.

(d) The right of first offer in this Section 2.3 shall not be applicable to (i) Exempted Securities (as defined in the Restated Certificate) or (ii) any shares of Series B Preferred Stock issued pursuant to the Purchase Agreement, as the same may be amended from time to time. In addition to the foregoing, the right of first offer in this Section 2.3 shall not be applicable with respect to any Major Investor and any subsequent securities issuance, if (i) at the time of such subsequent securities issuance, the Major Investor is not an "accredited investor," as that term is then defined in Rule 501(a) under the Securities Act, and (ii) such subsequent securities issuance is otherwise being offered only to accredited investors.

2.4 **Observer Rights**. The Company shall invite one representative of each of (i) the Lead Investor, (ii) JAFCO Super V3 Investment Limited Partnership and any Affiliated Fund (collectively, "**JAFCO**"), (iii) ONC Partners, L.P. and Nextech III Oncology, LPCI and any Affiliated Fund (collectively, "**Nextech**"), (iv) Arcus Ventures Fund, LP ("**Arcus**"), (v) BHP No. 2 Investment Limited Partnership ("**BHP**") and (vi) BMV Direct II LP ("**BMV**") (each, a "**Board Observer**") to attend all meetings of the Board in a nonvoting observer capacity and, in this respect, shall give each such Board Observer copies of all notices, minutes, consents and all other materials that it provides to the directors; provided, however, that the foregoing rights shall terminate for any investor listed above at such time as such investor holds fewer than 1,000,000 shares of Preferred Stock (subject to adjustment for stock splits, stock dividends, combinations, reclassifications or the like); and provided, further, however, that the Company reserves the right to withhold any information and to exclude each such Board Observer from any meeting or portion thereof if access to such information or attendance at such meeting would adversely affect the attorney-client privilege between the Company and its counsel or would result in disclosure of trade secrets to such Board Observer. The Company shall reimburse each such Board Observer for reasonable out-of-pocket travel (for economy class and for domestic U.S. travel only), hotel, transport and other reasonable expenses incurred in connection with attending meetings of the Board. The rights set forth in this Section 2.4 are in addition to the rights of the Lead Investor, JAFCO or Nextech to designate certain members of the Board in accordance with the Restated Certificate and the Amended and Restated Voting Agreement of even date herewith

among the Company, the Investors and the other parties listed therein (the "**Voting Agreement**").

2.5 **Board Matters**. Unless otherwise determined by the vote of a majority of the directors then in office, the Board shall meet at least twice each quarter, with one meeting being in-person and the other meeting being telephonic, in accordance with an agreed-upon schedule. The Company shall reimburse the nonemployee directors for all reasonable out-of-pocket travel (business class), hotel, transport and other reasonable expenses incurred in connection with attending meetings of the Board and conducting other Board activities. The Company shall cause to be established and will maintain an audit committee and a compensation committee, each of which shall (i) consist solely of non-management directors, (ii) shall consist of at least two directors, and (iii) shall include the Series B Director (as defined in the Voting Agreement) and at least one Series A Director (as defined in the Voting Agreement). One of the Preferred Directors shall be the Chair of the compensation committee.

2.6 **Scientific Advisory Board Matters**. The Company shall maintain a scientific advisory board (the "**SAB**") that shall be comprised of individuals approved by the Board. Each member of the SAB shall be entitled to annual compensation in such amounts as shall be approved by the Board. The Company shall reimburse the members of the SAB for all reasonable out-of-pocket travel (economy class), hotel, transport and other reasonable expenses incurred in connection with attending meetings of the SAB.

2.7 **Insurance**. As of the date hereof, the Company shall have obtained, from financially sound and reputable insurers, Directors and Officers liability insurance, commercial liability insurance and other insurance necessary or advisable to provide coverage for the operations conducted by the Company (the "**Insurance Policies**"), each in an amount and on terms and conditions approved by the Board, and will cause such Insurance Policies to be maintained until such time as the Board determines that one or more of such Insurance Policies should be discontinued.

2.8 **Employee/Independent Contractor Agreements**. The Company will cause (i) each person now or hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure, nonsolicitation and proprietary rights assignment agreement, substantially in the form approved by the Board. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, such agreements, without the approval of the Board, including at least one of the Preferred Directors.

2.9 **Employee Stock**. Unless otherwise approved by the Board, including at least one of the Preferred Directors, all future employees and consultants of the Company who purchase, receive options to purchase, or receive awards of shares of the Company's capital stock after the date hereof shall be required to execute restricted stock or option agreements, as applicable, providing for (i) vesting of shares over a four (4) year period, with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or service, and the remaining shares vesting in equal monthly installments over the following thirty-six (36) months, and (ii) a market stand-off provision substantially similar to that in Section 1.14. In addition, unless otherwise approved by the Board, including at least one of the Preferred

Directors, the Company shall retain a "right of first refusal" on employee transfers until the initial public offering of the Company's securities and shall have the right to repurchase unvested shares at no greater than cost upon termination of employment or service of a holder of restricted stock.

2.10 **Successor Indemnification**. If the Company or any of its successors or assignees consolidates with or merges into any other entity and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board as in effect immediately before such transaction, whether such obligations are contained in the Company's Bylaws, its Restated Certificate, or elsewhere, as the case may be.

2.11 **Termination of Covenants**.

(a) The covenants set forth in Sections 2.1 through Section 2.10 shall terminate as to each Holder and be of no further force or effect (i) immediately prior to the consummation of a Qualified IPO, or (ii) upon termination of the Agreement, as provided in Section 3.1.

(b) The covenants set forth in Sections 2.1 and 2.2 shall terminate as to each Holder and be of no further force or effect when the Company first becomes subject to the periodic reporting requirements of Sections 13 or 15(d) of the Exchange Act, if this occurs earlier than the events described in Section 2.11(a) above.

3. **Miscellaneous**.

3.1 **Termination.** This Agreement shall terminate, and have no further force and effect, when the Company shall consummate a transaction or series of related transactions deemed to be a liquidation, dissolution or winding up of the Company or a Liquidation Transaction (as defined in the Restated Certificate) pursuant to the Restated Certificate.

3.2 **Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the parties hereto are expressly canceled.

3.3 **Successors and Assigns.** Except as otherwise provided in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties (including transferees of any of the Preferred Stock or any Common Stock issued upon conversion thereof). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.4 **Amendments and Waivers.** Any term of this Agreement may be amended or waived only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding; provided, however, that any amendment, consent,

modification or waiver which disproportionately and adversely affects any holder(s) of Registrable Securities vis-a-vis the other such holders shall not be effective and binding unless it has previously been consented to in writing by such affected holder(s); provided, further, that (i) Section 2.4(i) of this Agreement and this clause (i) of this proviso shall not be amended or waived without the written consent of the Lead Investor, (ii) Section 2.4(ii) of this Agreement and this clause (ii) of this proviso shall not be amended or waived without the written consent of JAFCO, (iii) Section 2.4(iii) of this Agreement and this clause (iii) of this proviso shall not be amended or waived without the written consent of Nextech, (iv) Section 2.4(iv) of this Agreement and this clause (iv) of this proviso shall not be amended or waived without the written consent of Arcus, (v) Section 2.4(v) of this Agreement and this clause (v) of this proviso shall not be amended or waived without the written consent of BHP, and (vi) Section 2.4(vi) of this Agreement and this clause (vi) of this proviso shall not be amended or waived without the written consent of BMV. Notwithstanding the foregoing, (a) Section 2.3 of this Agreement may not be amended or terminated and the observance of any term thereof may not be waived with respect to any Major Investor without the written consent of such Major Investor, unless such amendment, termination, or waiver applies to all Major Investors in the same fashion (it being agreed that a waiver of the provisions of Section 2.3 with respect to a particular transaction shall not be deemed to apply to all Major Investors in the same fashion even if such waiver does so by its terms, if any Major Investors or any of their affiliates purchase securities in such transaction), and (b) this Agreement may be amended with only the written consent of the Company for the sole purpose of including additional purchasers of Series B Preferred Stock as "Investors" and "Holders." Any amendment or waiver effected in accordance with this paragraph shall be binding upon each party to the Agreement, whether or not such party has signed such amendment or waiver, each future holder of all such Registrable Securities, and the Company.

3.5 **Notices.** Any and all notices required or permitted to be given to a party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed to provide such party sufficient notice under this Agreement on the earliest of the following: (i) at the time of personal delivery, if delivery is in person; (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) one (1) business day after deposit with an express overnight courier for United States deliveries, or five (5) business days after such deposit for deliveries outside of the United States, with proof of delivery from the courier requested; or (iv) five (5) business days after deposit in the United States mail by certified mail (return receipt requested) for United States deliveries. All notices for delivery outside the United States will be sent by facsimile, electronic mail or by express courier. All notices not delivered personally, by facsimile or by electronic mail will be sent with postage and/or other charges prepaid and properly addressed to the party to be notified at the address, electronic mail address or facsimile number specified for such party on the signature page or on Exhibit A hereto, or at such other address, electronic email address or facsimile number as such other party may subsequently modify by written notice.

3.6 **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement, and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

3.7 **Governing Law.** This Agreement and all acts and transactions pursuant hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of laws.

3.8 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.9 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.10 **Aggregation of Stock.** All shares of the Preferred Stock held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

[Signature Pages Follow]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

COMPANY:

TRACON Pharmaceuticals, Inc.

By: /s/ Charles P. Theuer
Name: Dr. Charles P. Theuer, M.D., PhD
Title: President and CEO

Address: 8910 University Center Drive
Suite 700
San Diego, CA 92122
Fax: (858) 550-0786

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

JAFCO Super V3 Investment Limited Partnership

By: JAFCO Co., Ltd.
Its: General Partner

By: /s/ Shinichi Fuki

Name: Shinichi Fuki

Title: President and CEO

Address: Otemachi First Square
West Tower 11F, 1-5-1 Otemachi
Chiyoda-ku, Tokyo
100-0004 Japan

Fax: +81-3-5223-7088

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

ONC Partners, L.P.

By: ONC General Partner Limited
Its: General Partner

By: /s/ Michael Robinson

Name: Michael Robinson

Title: Director

Address: c/o 26 New Street
St Helier
Jersey
JE23RA

Fax:

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

Nextech III Oncology, LPCI

By: Nextech III GP Ltd
Its: General Partner

By: /s/ Alfred Scheidegger /s/ Rudolf Gygax

Name: Alfed Scheidegger Rudolf Gygax

Title: Chairman

Address:

Fax:

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

Arcus Ventures Fund, LP

By: /s/ Steven Soignet

Name: Steven Soignet

Title: General Partner

Address: 60 E. 42nd St. Ste. 1610
New York, NY 10165

Fax: 212 785-2237

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

BHP No. 2 Investment Limited Partnership

By: /s/ Takeo Matsumoto

Name: Takeo Matsumoto

Title: Manager of General Partner

Address: Akatsuka Building 2F, 1-2-8,
Higashikanda, Chiyoda-ku,

Tokyo 101-0031, Japan
Fax: +81 3 3862 4167

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

Brookline Tracon Investment Fund II, LLC

By: Brookline TIFMM LLC
Its: Managing Member

By: /s/ Madding King

Name: Madding King III

Title: Managing Member

Address: 2501 20th PL S #275
Bham, AL 35223

Fax: 205 639 5678

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTORS:

NEW ENTERPRISE ASSOCIATES 14, L.P.

By: NEA Partners 14, Limited Partnership
Its: General Partner

By: NEA 14 GP, LTD
Its: General Partner

By: /s/ Louis S. Citron
Name: Louis S. Citron
Title: Chief Legal Officer

Address: 1954 Greenspring Drive, Suite 600
Timonium, MD 21093
Fax: (410) 752-7721

NEA VENTURES 2014, L.P.

By: /s/ Louis S. Citron
Name: Louis S. Citron
Title: Vice-President
Address: 1954 Greenspring Drive, Suite 600
Timonium, MD 21093
Fax: (410) 752-7721

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

Fourth Avenue Capital Partners LP

By: /s/ Tracy Fu

Name: Tracy Fu

Title: Managing Member

Address: c/o QVT Financial LP
1177 Avenue of the Americas, 9th Floor
New York, NY 10036

Fax: (212) 705-8820

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTORS:

QVT Fund V LP

By: /s/ Tracy Fu

Name: Tracy Fu

Title: Managing Member

Address: c/o QVT Financial LP
1177 Avenue of the Americas, 9th Floor
New York, NY 10036

Fax: (212) 705-8820

QVT Fund IV LP

By: /s/ Tracy Fu

Name: Tracy Fu

Title: Managing Member

Address: c/o QVT Financial LP
1177 Avenue of the Americas, 9th Floor
New York, NY 10036

Fax: (212) 705-8820

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

Bryan White

/s/ Bryan White

Address:

Fax:

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

Quintessence Fund L.P.

By: /s/ Tracy Fu

Name: Tracy Fu

Title: Managing Member

Address: c/o QVT Financial LP
1177 Avenue of the Americas, 9th Floor
New York, NY 10036

Fax: (212) 705-8820

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

BMV Direct II LP

By: /s/ Jonathan P. Klassen

Name: Jonathan P. Klassen

Title: Senior Vice President

Address: 17190 Bernardo Center Dr
San Diego, CA 92128

Fax: 858-485-9843

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

BioBrit, LLC

By: /s/ Daniel M. Bradbury

Name: Daniel M. Bradbury

Title: Managing Member

Address: 5462 Soledad Road
La Jolla CA 92037

Fax: 858 270 2925

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

Blake Wu

/s/ Blake Wu

Address:

Fax:

[Signature Page to Amended and Restated Investors' Rights Agreement]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

Christine Guo

/s/ Christine Guo

Address:

Fax:

[Signature Page to Amended and Restated Investors' Rights Agreement]

EXHIBIT A

INVESTORS

Name/Address/Fax No.	**No. of Series A Preferred Shares**	**No. of Series B Preferred Shares**
JAFCO Super V3 Investment Limited Partnership Otemachi First Square, West Tower 11F 1-5-1, Otemachi, Chiyoda-ku Tokyo 100-0004 Japan Attention: Kenji Harada, Ph.D., Senior Manager, Life Science Investment Management Department Facsimile: +81-3-5223-7561	5,000,000	1,036,120
ONC Partners, L.P. 26 New Street, St Helier, JE2 3RA,	750,000	155,418

New Jersey Attention: Michael Robinson		
Nextech III Oncology, LPCI Scheuchzerstrasse 35 8006 Zurich, Switzerland Attention: Rudolf Gygax Facsimile: +41 (0)44 366 66 10	2,250,000	466,254
Arcus Ventures Fund, LP One Grand Central Place 60 East 42nd Street, Suite 1610 New York, NY 10165 Attention: James Dougherty, M.D., MBA, General Partner Facsimile: (212) 785-2237	1,000,000	207,224
BHP No. 2 Investment Limited Partnership Akatsuka Building 2F 1-2-8 Higashikanda, Chiyoda-ku Tokyo 101-0031, Japan Attention: Takeo Matsumoto Facsimile: +81 3 3862 4167	1,000,000	207,224
Brookline Tracon Investment Fund II, LLC 2501 20th Place South, Suite #275 Birmingham, AL 35223 Attention: Rainer Twiford	1,610,150	934,579

Name/Address/Fax No.	**No. of Series A Preferred Shares**	**No. of Series B Preferred Shares**
NEW ENTERPRISE ASSOCIATES 14, L.P. 1954 Greenspring Drive, Suite 600 Timonium, MD 21093 Attention: Louis Citron, Chief Legal Officer Facsimile: (410) 752-7721		5,373,396
NEA VENTURES 2014, L.P. 1954 Greenspring Drive, Suite 600 Timonium, MD 21093 Attention: Louis Citron, Vice-President Facsimile: (410) 752-7721		4,559
Fourth Avenue Capital Partners LP c/o QVT Financial LP 1177 Avenue of the Americas, 9th Floor New York, NY 10036 Attention: Oren Eisner and Keith Manchester Facsimile: (212) 705-8820		793,253
QVT Fund V LP c/o QVT Financial LP 1177 Avenue of the Americas, 9th Floor New York, NY 10036 Attention: Oren Eisner and Keith Manchester Facsimile: (212) 705-8820		726,893

QVT Fund IV LP c/o QVT Financial LP 1177 Avenue of the Americas, 9th Floor New York, NY 10036 Attention: Oren Eisner and Keith Manchester Facsimile: (212) 705-8820		123,027
Bryan White		227,946
Quintessence Fund L.P. c/o QVT Financial LP 1177 Avenue of the Americas, 9th Floor New York, NY 10036 Attention: Oren Eisner and Keith Manchester Facsimile: (212) 705-8820		89,218

Name/Address/Fax No.	**No. of Series A Preferred Shares**	**No. of Series B Preferred Shares**
BMV Direct II LP 17190 Bernardo Center Drive San Diego, CA 92128 Attention: Jonathan P. Klassen, Senior Vice President Facsimile: (858) 485-9843		1,860,041
BioBrit, LLC 5462 Soledad Road La Jolla, CA 92037 Attention: Daniel M. Bradbury		186,004
Blake Wu		4,559
Christine Guo		4,559
El Coronado Holdings, LLC	79,800	
John Kellenyi	53,200	
Cynergy Healthcare Investors	26,150	
Blaine Spies	10,460	
Ken and Jane Wicker	13,075	
Scott Renfro	10,460	

Barbara Waits Living Trust	13,075	
QMO, LLC	27,408	

Name/Address/Fax No.	**No. of Series A Preferred Shares**	**No. of Series B Preferred Shares**
Paramount BioSciences, LLC 787 7th Avenue New York, NY 10019	406,221	
TOTALS:	**12,249,999**	**12,400,274**

Exhibit 10.1

INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT (this ***"Agreement"***) dated as of _____, is made by and between **TRACON PHARMACEUTICALS, INC.**, a Delaware corporation (the ***"Company"***), and _____ (***"Indemnitee"***).

RECITALS

A. The Company desires to attract and retain the services of highly qualified individuals as directors, officers, employees and agents.

B. The Company's Amended and Restated Bylaws (the ***"Bylaws"***) require that the Company indemnify its directors, and empower the Company to indemnify its officers, employees and agents, as authorized by the Delaware General Corporation Law, as amended (the ***"DGCL"***), under which the Company is organized, and such Bylaws expressly provide that the indemnification provided therein is not exclusive and contemplates that the Company may enter into separate agreements with its directors, officers and other persons to set forth specific indemnification provisions.

C. Indemnitee does not regard the protection currently provided by applicable law, the Company's governing documents and available insurance as adequate under the present circumstances, and the Company has determined that Indemnitee and other directors, officers, employees and agents of the Company may not be willing to serve or continue to serve in such capacities without additional protection.

D. The Company desires and has requested Indemnitee to serve or continue to serve as a director, officer, employee or agent of the Company, as the case may be, and has proffered this Agreement to Indemnitee as an additional inducement to serve in such capacity.

E. Indemnitee is willing to serve, or to continue to serve, as a director, officer, employee or agent of the Company, as the case may be, if Indemnitee is furnished the indemnity provided for herein by the Company.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

(a) Agent. For purposes of this Agreement, the term "agent" of the Company means any person who: (i) is or was a director**,** officer, employee or other fiduciary of the Company or a subsidiary of the Company; or (ii) is or was serving at the request or for the convenience of, or representing the interests of, the Company or a subsidiary of the Company, as a director, officer, employee or other fiduciary of a foreign or domestic corporation, partnership, joint venture, trust or other enterprise.

(b) Expenses. For purposes of this Agreement, the term "expenses" shall be broadly construed and shall include, without limitation, all direct and indirect costs of any type or nature whatsoever (including, without limitation, all attorneys', witness, or other professional fees and related disbursements, and other out-of-pocket costs of whatever nature), actually and reasonably incurred by Indemnitee in connection with the investigation, defense or appeal of a proceeding or establishing or enforcing a right to indemnification under this Agreement, the DGCL or otherwise, and amounts paid in settlement by or on behalf of Indemnitee, but shall not include any judgments, fines or penalties actually levied against Indemnitee for such individual's violations of law. The term "expenses" shall also include reasonable compensation for time spent by Indemnitee for which he is not compensated by the Company or any subsidiary or third party (i) for any period during which Indemnitee is not an agent, in the employment of, or providing services for compensation to, the Company or any subsidiary; and (ii) if the rate of compensation and estimated time involved is approved by the directors of the Company who are not parties to any action with respect to which expenses are incurred, for Indemnitee while an agent of, employed by, or providing services for compensation to, the Company or any subsidiary.

(c) Proceedings. For purposes of this Agreement, the term "proceeding" shall be broadly construed and shall include, without limitation, any threatened, pending, or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, and whether formal or informal in any case, in which Indemnitee was, is or will be involved as a party or otherwise by reason of: (i) the fact that Indemnitee is or was a director or officer of the Company; (ii) any action taken by Indemnitee or any action on Indemnitee's part while acting as director, officer, employee or agent of the Company; or (iii) the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise,

and in any such case described above, whether or not serving in any such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses may be provided under this Agreement.

(d) Subsidiary. For purposes of this Agreement, the term "subsidiary" means any corporation or limited liability company of which more than 50% of the outstanding voting securities or equity interests are owned, directly or indirectly, by the Company and one or more of its subsidiaries, and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary.

(e) Independent Counsel. For purposes of this Agreement, the term "independent counsel" means a law firm, or a partner (or, if applicable, member) of such a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "independent counsel" shall not include any person who, under the applicable standards of professional conduct then

prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

2. Agreement to Serve. Indemnitee will serve, or continue to serve, as a director, officer, employee or agent of the Company or any subsidiary, as the case may be, faithfully and to the best of his or her ability, at the will of such corporation (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves as an agent of such corporation, so long as Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the bylaws or other applicable charter documents of such corporation, or until such time as Indemnitee tenders his or her resignation in writing; provided, however, that nothing contained in this Agreement is intended as an employment agreement between Indemnitee and the Company or any of its subsidiaries or to create any right to continued employment of Indemnitee with the Company or any of its subsidiaries in any capacity.

The Company acknowledges that it has entered into this Agreement and assumes the obligations imposed on it hereby, in addition to and separate from its obligations to Indemnitee under the Bylaws, to induce Indemnitee to serve, or continue to serve, as a director, officer, employee or agent of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director, officer, employee or agent of the Company.

3. Indemnification.

(a) Indemnification in Third Party Proceedings. Subject to Section 10 below, the Company shall indemnify Indemnitee to the fullest extent permitted by the DGCL, as the same may be amended from time to time (but, only to the extent that such amendment permits Indemnitee to broader indemnification rights than the DGCL permitted prior to adoption of such amendment), if Indemnitee is a party to or threatened to be made a party to or otherwise involved in any proceeding, for any and all expenses, actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of such proceeding.

(b) Indemnification in Derivative Actions and Direct Actions by the Company. Subject to Section 10 below, the Company shall indemnify Indemnitee to the fullest extent permitted by the DGCL, as the same may be amended from time to time (but, only to the extent that such amendment permits Indemnitee to broader indemnification rights than the DGCL permitted prior to adoption of such amendment), if Indemnitee is a party to or threatened to be made a party to or otherwise involved in any proceeding by or in the right of the Company to procure a judgment in its favor, against any and all expenses actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement, or appeal of such proceedings.

(c) Fund Indemnitors. The Company hereby acknowledges that the Indemnitee has or may have in the future certain rights to indemnification, advancement of expenses and/or insurance provided by entities and/or organizations other than the Company (collectively, the ***"Fund Indemnitors"***). In the event that the Indemnitee is, or is threatened to be made, a party to or a participant in any proceeding to the extent resulting from any claim

based on the Indemnitee's service to the Company as a director or other fiduciary of the Company, then the Company shall (i) be an indemnitor of first resort (*i.e.*, its obligations to Indemnitee are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) be required to advance reasonable expenses incurred by Indemnitee, and (iii) be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement and any provision of the Bylaws or the Company's Amended and Restated Certificate of Incorporation (the ***"Certificate of Incorporation"***) (or any other agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Fund Indemnitors. The Company irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. No advancement or payment by the Fund Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution or be subrogated to the extent of such

advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Fund Indemnitors are third party beneficiaries of the terms of this Section.

4. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any proceeding or in defense of any claim, issue or matter therein, including the dismissal of any action without prejudice, the Company shall indemnify Indemnitee against all expenses actually and reasonably incurred in connection with the investigation, defense or appeal of such proceeding.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any expenses actually and reasonably incurred by Indemnitee in the investigation, defense, settlement or appeal of a proceeding, but is precluded by applicable law or the specific terms of this Agreement to indemnification for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

6. Advancement of Expenses. To the extent not prohibited by law, the Company shall advance the expenses incurred by Indemnitee in connection with any proceeding, and such advancement shall be made within 20 days after the receipt by the Company of a statement or statements requesting such advances (which shall include invoices received by Indemnitee in connection with such expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditures made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be included with the invoice) and upon request of the Company, an undertaking to repay the advancement of expenses if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified by the Company. Advances shall be unsecured, interest free and without regard to Indemnitee's ability to repay the expenses. Advances shall include any and all expenses actually and reasonably incurred by Indemnitee pursuing an action to enforce Indemnitee's right to indemnification under this Agreement, or otherwise and this right of advancement, including expenses incurred preparing

and forwarding statements to the Company to support the advances claimed. Indemnitee acknowledges that the execution and delivery of this Agreement shall constitute an undertaking providing that Indemnitee shall, to the fullest extent required by law, repay the advance if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified by the Company. The right to advances under this Section shall continue until final disposition of any proceeding, including any appeal therein. This Section 6 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 10(b).

7. Notice and Other Indemnification Procedures.

(a) Notification of Proceeding. Indemnitee will notify the Company in writing promptly upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any proceeding or matter which may be subject to indemnification or advancement of expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise.

(b) Request for Indemnification and Indemnification Payments. Indemnitee shall notify the Company promptly in writing upon receiving notice of any demand, judgment or other requirement for payment that Indemnitee reasonably believes to be subject to indemnification under the terms of this Agreement, and shall request payment thereof by the Company. Indemnification payments requested by Indemnitee under Section 3 hereof shall be made by the Company no later than 60 days after receipt of the written request of Indemnitee. Claims for advancement of expenses shall be made under the provisions of Section 6 herein.

(c) Application for Enforcement. In the event the Company fails to make timely payments as set forth in Sections 6 or 7(b) above, Indemnitee shall have the right to apply to any court of competent jurisdiction for the purpose of enforcing Indemnitee's right to indemnification or advancement of expenses pursuant to this Agreement. In such an enforcement hearing or proceeding, the burden of proof shall be on the Company to prove that indemnification or advancement of expenses to Indemnitee is not required under this Agreement or permitted by applicable law. Any determination by the Company (including its Board of Directors, stockholders or independent counsel) that Indemnitee is not entitled to indemnification hereunder, shall not be a defense by the Company to the action nor create any presumption that Indemnitee is not entitled to indemnification or advancement of expenses hereunder.

(d) Indemnification of Certain Expenses. The Company shall indemnify Indemnitee against all expenses incurred in connection with any hearing or proceeding under this Section 7 unless the Company prevails in such hearing or proceeding on the merits in all material respects.

8. Assumption of Defense. In the event the Company shall be requested by Indemnitee to pay the expenses of any proceeding, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, or to participate to the extent permissible in such proceeding, with counsel reasonably acceptable to Indemnitee. Upon assumption of the defense by the Company and the retention of such counsel by the Company, the Company shall not be

liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that Indemnitee shall have the right to employ separate counsel in such proceeding at Indemnitee's sole cost and expense. Notwithstanding the foregoing, if Indemnitee's counsel delivers a written notice to the Company stating that such counsel has reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or the Company shall not, in fact, have employed counsel or otherwise actively pursued the defense of such proceeding within a reasonable time, then in any such event the fees and expenses of Indemnitee's counsel to defend such proceeding shall be subject to the indemnification and advancement of expenses provisions of this Agreement.

9. Insurance. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company or of any subsidiary (***"D&O Insurance"***), Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has D&O Insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

10. Exceptions.

(a) Certain Matters. Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee on account of any proceeding with respect to (i) remuneration paid to Indemnitee if it is determined by final judgment or other final adjudication that such remuneration was in violation of law (and, in this respect, both the Company and Indemnitee have been advised that the Securities and Exchange Commission believes that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication, as indicated in Section 10(d) below); (ii) a final judgment rendered against Indemnitee for an accounting, disgorgement or repayment of profits made from the purchase or sale by Indemnitee of securities of the Company against Indemnitee or in connection with a settlement by or on behalf of Indemnitee to the extent it is acknowledged by Indemnitee and the Company that such amount paid in settlement resulted from Indemnitee's conduct from which Indemnitee received monetary personal profit, pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or other provisions of any federal, state or local statute or rules and regulations thereunder; (iii) a final judgment or other final adjudication that Indemnitee's conduct was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct (but only to the extent of such specific determination); or (iv) on account of conduct that is established by a final judgment as constituting a breach of Indemnitee's duty of loyalty to the Company or resulting in any personal profit or advantage to which Indemnitee is not legally entitled. For purposes of the foregoing sentence, a final judgment or other adjudication may be reached in either the underlying proceeding or action in connection with which indemnification

is sought or a separate proceeding or action to establish rights and liabilities under this Agreement.

(b) Claims Initiated by Indemnitee. Any provision herein to the contrary notwithstanding, the Company shall not be obligated to indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought by Indemnitee against the Company or its directors, officers, employees or other agents and not by way of defense, except (i) with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or under any other agreement, provision in the Bylaws or Certificate of Incorporation or applicable law, or (ii) with respect to any other proceeding initiated by Indemnitee that is either approved by the Board of Directors or Indemnitee's participation is required by applicable law. However, indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors determines it to be appropriate.

(c) Unauthorized Settlements. Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee under this Agreement for any amounts paid in settlement of a proceeding effected without the Company's written consent. Neither the Company nor Indemnitee shall unreasonably withhold consent to any proposed settlement; provided, however, that the Company may in any event decline to consent to (or to otherwise admit or agree to any liability for indemnification hereunder in respect of) any proposed settlement if the Company is also a party in such proceeding and determines in good faith that such settlement is not in the best interests of the Company and its stockholders.

(d) Securities Act Liabilities. Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee or otherwise act in violation of any undertaking appearing in and required by the rules and regulations promulgated under the Securities Act of 1933, as amended (the ***"Act"***), or in any registration statement filed with the SEC under the Act. Indemnitee acknowledges that paragraph (h) of Item 512 of Regulation S-K currently generally requires the Company to undertake in connection with any registration statement filed under the Act to submit the issue of the enforceability of Indemnitee's rights under this Agreement in connection with any liability under the Act on public policy grounds to a court of appropriate jurisdiction and to be governed by any final adjudication of such issue. Indemnitee specifically agrees that any such undertaking shall supersede the provisions of this Agreement and to be bound by any such undertaking.

11. Nonexclusivity and Survival of Rights. The provisions for indemnification and advancement of expenses set forth in this Agreement shall not be deemed exclusive of any other rights which Indemnitee may at any time be entitled under any provision of applicable law, the Certificate of Incorporation, Bylaws or other agreements, both as to action in Indemnitee's official capacity and Indemnitee's action as an agent of the Company, in any court in which a proceeding is brought, and Indemnitee's rights hereunder shall

continue after Indemnitee has ceased acting as an agent of the Company and shall inure to the benefit of the heirs, executors, administrators and assigns of Indemnitee. The obligations and duties of the Company to Indemnitee under this Agreement shall be binding on the Company and its successors and

assigns until terminated in accordance with its terms. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her corporate status prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, permits greater indemnification or advancement of expenses than would be afforded currently under the Certificate of Incorporation, Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, by Indemnitee shall not prevent the concurrent assertion or employment of any other right or remedy by Indemnitee.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who, at the request and expense of the Company, shall execute all papers required and shall do everything that may be reasonably necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to Indemnitee to the fullest extent now or hereafter permitted by law.

14. Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (a) the validity, legality and enforceability of the remaining provisions of the Agreement (including without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 14 hereof.

15. Amendment and Waiver. No supplement, modification, amendment, or cancellation of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice. Except as otherwise provided herein, any notice or demand which, by the provisions hereof, is required or which may be given to or served upon the parties hereto shall be in writing and, if by telegram, telecopy or telex, shall be deemed to have been validly served, given or delivered when sent, if by overnight delivery, courier or personal delivery, shall be deemed to have been validly served, given or delivered upon actual delivery and, if mailed, shall be deemed to have been validly served, given or delivered three business days after deposit in the United States mail, as registered or certified mail, with proper postage prepaid and addressed to the party or parties to be notified at the addresses set forth on the signature page of this Agreement (or such other address(es) as a party may designate for itself by like notice). If to the Company, notices and demands shall be delivered to the attention of the Secretary of the Company.

17. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware.

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute but one and the same Agreement. Only one such counterpart need be produced to evidence the existence of this Agreement.

19. Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

20. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, written and oral, between the parties with respect to the subject matter of this Agreement; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate

of Incorporation, Bylaws, the DGCL and any other applicable law, and shall not be deemed a substitute therefor, and does not diminish or abrogate any rights of Indemnitee thereunder.

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IN WITNESS WHEREOF, the parties hereto have entered into this Agreement effective as of the date first above written.

TRACON PHARMACEUTICALS, INC.

By: _____

Name: _____

Title: _____

INDEMNITEE

_____

Signature of Indemnitee

_____

Print or Type Name of Indemnitee

TRACON PHARMACEUTICALS, INC.

2011 EQUITY INCENTIVE PLAN

EFFECTIVE AS OF AUGUST 10, 2011

AMENDED AS OF SEPTEMBER 19, 2014

TRACON PHARMACEUTICALS, INC.
2011 EQUITY INCENTIVE PLAN

EFFECTIVE AS OF AUGUST 10, 2011

AMENDED AS OF SEPTEMBER 19, 2014

SECTION 1. INTRODUCTION.

The Company's Board of Directors adopted the Tracon Pharmaceuticals, Inc. 2011 Equity Incentive Plan effective as of the Adoption Date and the Plan was timely approved by the Company's stockholders. On September 19, 2014, the Board amended the Plan to increase the maximum aggregate number of Shares that may be issued under the Plan (and pursuant to the exercise of Incentive Stock Options) from 3,264,681 to 4,144,681 (the "2014 Amendment"). The 2014 Amendment was also approved by the Company's stockholders on September 19, 2014.

The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by offering Key Employees an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, and to encourage such Key Employees to continue to provide services to the Company and to attract new individuals with outstanding qualifications.

The Plan seeks to achieve this purpose by providing for Awards in the form of Options (which may constitute Incentive Stock Options or Nonstatutory Stock Options), Stock Appreciation Rights, Restricted Stock Grants and/or Stock Units.

Capitalized terms shall have the meaning provided in Section 2 unless otherwise provided in this Plan or any related Stock Option Agreement, SAR Agreement, Restricted Stock Grant Agreement or Stock Unit Agreement.

SECTION 2. DEFINITIONS.

(a) **"Adoption Date"** means August 10, 2011.

(b) **"Affiliate"** means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

(c) **"Award"** means any award of an Option, SAR, Restricted Stock Grant or Stock Unit under the Plan.

(d) **"Board"** means the Board of Directors of the Company, as constituted from time to time.

(e) **"California Participant"** means a Participant whose Award was issued in reliance on Section 25102(o) of the California Corporations Code.

(f) **"Call Equivalent Position"** means the term "call equivalent position" as defined under Rule 16a-1(b) of the Exchange Act.

(g) **"Cashless Exercise"** means, to the extent that a Stock Option Agreement so provides and as permitted by applicable law and in accordance with any procedures established by the Committee, an arrangement whereby payment of some or all of the aggregate Exercise Price may be made all or in part by delivery of an irrevocable direction to a securities broker to sell

Shares and to deliver all or part of the sale proceeds to the Company. Cashless Exercise may also be utilized to satisfy an Option's tax withholding obligations as provided in Section 14(b).

(h) **"Cause"** means, except as may otherwise be provided in a Participant employment agreement or applicable Award agreement (and in such case the employment agreement or Award agreement shall govern as to the definition of Cause), (i) a conviction of a Participant for a felony crime or the failure of a Participant to contest prosecution for a felony crime, or (ii) a Participant's misconduct, fraud, disloyalty or dishonesty (as such terms may be defined by the Committee in its sole discretion), or (iii) any unauthorized use or disclosure of confidential information or trade secrets by a Participant, or (iv) a Participant's negligence, malfeasance, breach of fiduciary duties or neglect of duties, or (v) any material violation by a Participant of a written Company or Subsidiary or Affiliate policy or any material breach by a Participant of a written agreement with the Company or Subsidiary or Affiliate, or (vi) any other act or omission by a Participant that, in the opinion of the Committee, could reasonably be expected to adversely affect the Company's or a Subsidiary's or an Affiliate's business, financial condition, prospects and/or reputation. In each of the foregoing subclauses (i) through (vi), whether or not a "Cause" event has occurred will be determined by the Committee in its sole discretion or, in the case of Participants who are Directors or Officers or Section 16 Persons, the Board, each of whose determination shall be final, conclusive and binding. A Participant's Service shall be deemed to have terminated for Cause if, after the Participant's Service has terminated, facts and circumstances are discovered that would have justified a termination for Cause, including, without limitation, violation of material Company policies or breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant.

(i) **"Change in Control"** except as may otherwise be provided in a Participant employment agreement or applicable Award agreement (and in such case the employment agreement or Award agreement shall govern as to the definition of Change in Control), means the occurrence of any of the following:

(i) The consummation of an acquisition, a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if 51% or more of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such acquisition, merger, consolidation or other reorganization is owned by persons who in the aggregate owned less than 20% of the Company's combined voting power represented by the Company's outstanding securities immediately prior to such acquisition, merger, consolidation or other reorganization; or

(ii) The sale, exclusive license, transfer or other disposition of all or substantially all of the Company's assets.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transactions. In addition, the following transactions shall not constitute a Change in Control: (i) an initial public offering by the Company of the Shares or (ii) the issuance by the Company of shares of its capital stock in an equity financing transaction in which the Company is the surviving corporation, retains substantially all of the proceeds of such transaction for working capital or other operational purposes, including acquisitions, and does not (directly or through a subsidiary) receive any assets other than cash and rights to receive cash. A series of related transactions shall be deemed to constitute a single transaction, and where such transactions involve securities issuances, they shall be deemed "related" if under applicable securities laws they would be treated as integrated. Further, for purposes of clarity, the consummation of the transactions contemplated under the Series A Preferred Stock Purchase Agreement which was entered into by the Company on or about March 28, 2011 (as may be amended or otherwise modified from time to time) and which contemplates the issuance and sale by the Company of up to $22 million in cash in shares of its Series A Convertible Preferred Stock, par value $0.001 per share, shall not constitute a Change in Control.

(j) **"Code"** means the Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder.

(k) **"Committee"** means a committee consisting of members of the Board that is appointed by the Board (as described in Section 3) to administer the Plan. If no Committee has been appointed, the full Board shall constitute the Committee.

(1) **"Common Stock"** means the Company's common stock, par value $0.001 per Share, and any other securities into which such shares are changed, for which such shares are exchanged or which may be issued in respect thereof.

(m) **"Company"** means Tracon Pharmaceuticals, Inc., a Delaware corporation.

(n) **"Consultant"** means an individual (or entity) which performs bona fide services to the Company, a Parent, a Subsidiary or an Affiliate other than as an Employee or Director or Non-Employee Director.

(o) **"Director"** means a member of the Board who is also an Employee.

(p) **"Disability"** means, except as may otherwise be provided in a Participant employment agreement or applicable Award agreement (and in such case the employment agreement or Award agreement shall govern as to the definition of Disability), that

the Participant is classified as disabled under a long-term disability policy of the Company or, if no such policy applies, the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or

mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The Disability of a Key Employee shall be determined solely by the Committee on the basis of such medical evidence as the Committee deems warranted under the circumstances.

(q) **"Employee"** means any individual who is a common-law employee of the Company, or of a Parent, or of a Subsidiary or of an Affiliate.

(r) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(s) **"Exercise Price"** means, in the case of an Option, the amount for which a Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of a SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value in determining the amount payable to a Participant upon exercise of such SAR.

(t) **"Fair Market Value"** means the market price of a Share, determined by the Committee as follows:

(i) If the Shares were traded on a stock exchange (such as the New York Stock Exchange, NYSE Amex, the NASDAQ Global Market or NASDAQ Capital Market) at the time of determination, then the Fair Market Value shall be equal to the regular session closing price for such stock as reported by such exchange (or the exchange or market with the greatest volume of trading in the Shares) on the date of determination, or if there were no sales on such date, on the last date preceding such date on which a closing price was reported;

(ii) If the Shares were traded on the OTC Bulletin Board at the time of determination, then the Fair Market Value shall be equal to the last-sale price reported by the OTC Bulletin Board for such date, or if there were no sales on such date, on the last date preceding such date on which a sale was reported; and

(iii) If neither of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith using a reasonable application of a reasonable valuation method as the Committee deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported by the applicable exchange or the OTC Bulletin Board, as applicable, or a nationally recognized publisher of stock prices or quotations (including an electronic on-line publication). Such determination shall be conclusive and binding on all persons.

(u) **"Incentive Stock Option"** or **"ISO"** means an incentive stock option described in Code section 422.

(v) **"Key Employee"** means an Employee, Director, Non-Employee Director or Consultant who has been selected by the Committee to receive an Award under the Plan.

(w) **"Net Exercise"** means, to the extent that a Stock Option Agreement so provides and as permitted by applicable law, an arrangement pursuant to which the number of Shares issued to the Optionee in connection with the Optionee's exercise of the Option will be reduced by the Company's retention of a portion of such Shares. Upon such a net exercise of an Option, the Optionee will receive a net number of Shares that is equal to (i) the number of Shares as to which the Option is being exercised minus (ii) the quotient (rounded down to the nearest whole number) of the aggregate Exercise Price of the Shares being exercised divided by the Fair Market Value of a Share on the Option exercise date. The number of Shares covered by clause (ii) will be retained by the Company and not delivered to the Optionee. No fractional Shares will be created as a result of a Net Exercise and the Optionee must contemporaneously pay for any portion of the aggregate Exercise Price that is not covered by the Shares retained by the Company under clause (ii). The number of Shares delivered to the Optionee may be further reduced if Net Exercise is utilized under Section 14(b) to satisfy applicable tax withholding obligations.

(x) **"Non-Employee Director"** means a member of the Board who is not an Employee.

(y) **"Nonstatutory Stock Option"** or **"NSO"** means a stock option that is not an ISO.

(z) **"Officer"** means an individual who is an officer of the Company within the meaning of Rule 16a-1(f) of the Exchange Act.

(aa) **"Option"** means an ISO or NSO granted under the Plan entitling the Optionee to purchase Shares under the Plan as provided in Section 6.

(bb) **"Optionee"** means an individual, estate or other entity that holds an Option.

(cc) **"Parent"** means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the Adoption Date shall be considered a Parent commencing as of such date.

(dd) **"Participant"** means an individual or estate or other entity that holds an Award.

(ee) **"Plan"** means this Tracon Pharmaceuticals, Inc. 2011 Equity Incentive Plan as it may be amended from time to time.

(ff) **"Put Equivalent Position"** means the term "put equivalent position" as defined under Rule 16a-1(h) of the Exchange Act.

(gg) **"Re-Price"** means that the Company has lowered or reduced the Exercise Price of outstanding Options and/or outstanding SARs for any Participant(s) in a manner described by SEC Regulation S-K Item 402(d)(2)(viii) (or as described in any successor provision(s) or definition(s)).

(hh) **"Restricted Stock Grant"** means Shares awarded under the Plan as provided in Section 9.

(ii) **"Restricted Stock Grant Agreement"** means the agreement described in Section 9 evidencing each Award of a Restricted Stock Grant.

(jj) **"SAR Agreement"** means the agreement described in Section 8 evidencing each Award of a Stock Appreciation Right.

(kk) **"SEC"** means the Securities and Exchange Commission.

(11) **"Section 16 Persons"** means those Officers or Directors or Non-Employee Directors or other persons who are subject to Section 16 of the Exchange Act.

(mm) **"Section 280G Approval"** means the separate approval by stockholders owning more than 75% of the voting power of all outstanding stock of the Company entitled to vote immediately before a Change in Control which approval shall be obtained in compliance with the requirements of Code Section 280G(b)(5)(B), as amended, including any successor thereof, and the regulations promulgated thereunder, as determined by the Committee in its sole discretion.

(nn) **"Securities Act"** means the Securities Act of 1933, as amended.

(oo) **"Separation From Service"** means a Participant's separation from service with the Company within the meaning of Code Section 409A.

(pp) **"Service"** means service as an Employee, Director, Non-Employee Director or Consultant. Service will be deemed terminated as soon as the entity to which Service is being provided is no longer either (i) the Company, (ii) a Parent, (iii) a Subsidiary or (iv) an Affiliate. The Committee determines when Service commences and when Service terminates. The Committee may determine whether any Company transaction, such as a sale or spin-off of a division or subsidiary that employs a Participant, shall be deemed to result in termination of Service for purposes of any affected Awards, and the Committee's decision shall be final, conclusive and binding.

(qq) **"Share"** means one share of Common Stock.

(rr) **"Stock Appreciation Right or SAR"** means a stock appreciation right awarded under the Plan as provided in Section 8.

(ss) **"Stock Option Agreement"** means the agreement described in Section 6 evidencing each Award of an Option.

(tt) **"Stock Unit"** means a bookkeeping entry representing the equivalent of one Share awarded under the Plan as provided in Section 10.

(uu) **"Stock Unit Agreement"** means the agreement described in Section 10 evidencing each Award of Stock Units.

(vv) **"Stockholders Agreement"** means any applicable agreement between the Company's stockholders and/or investors that provides certain rights and obligations for stockholders.

(ww) **"Subsidiary"** means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the Adoption Date shall be considered a Subsidiary commencing as of such date.

(xx) **"Termination Date"** means the date on which a Participant's Service terminates as determined by the Committee.

(yy) **"10-Percent Shareholder"** means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of section 424(d) of the Code shall be applied.

SECTION 3. ADMINISTRATION.

(a) **Committee Composition**. A Committee appointed by the Board shall administer the Plan. The Board shall designate one of the members of the Committee as chairperson. Members of the Committee shall serve for such period of time as the Board may determine and shall be subject to removal by the Board at any time. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

Effective with the Shares being publicly traded or the Company being subject to the reporting requirements of the Exchange Act, with respect to Awards to Section 16 Persons, the Committee shall consist either (i) solely of two or more individuals who satisfy the requirements of Rule 16b-3 (or its successor) under the Exchange Act or (ii) of the full Board. The Board may also appoint one or more separate committees of the Board, each composed of directors of the Company who need not qualify under Rule 16b-3, who may administer the Plan with respect to Key Employees who are not Section 16 Persons, may grant Awards under the Plan to such Key Employees and may determine all terms of such Awards. To the extent permitted by applicable law, the Board may also appoint a committee, composed of one or more officers of the Company, that may authorize Awards to Employees (who are not Section 16 Persons) within parameters specified by the Board and consistent with any limitations imposed by applicable law.

(b) **Authority of the Committee**. Subject to the provisions of the Plan, the Committee shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. Such actions shall include without limitation:

(i) selecting Key Employees who are to receive Awards under the Plan;

(ii) determining the type, number, vesting requirements, performance conditions (if any) and their degree of satisfaction, and other features and conditions of such Awards and amending such Awards;

(iii) correcting any defect, supplying any omission, or reconciling or clarifying any inconsistency in the Plan or any Award agreement;

(iv) accelerating the vesting, or extending the post-termination exercise term, or waiving restrictions, of Awards at any time and under such terms and conditions as it deems appropriate;

(v) Re-Pricing outstanding Options or SARs, without the approval of Company stockholders;

(vi) interpreting the Plan and any Award agreements;

(vii) making all other decisions relating to the operation of the Plan; and

(viii) granting Awards to Key Employees who are foreign nationals on such terms and conditions different from those specified in the Plan, which may be necessary or desirable to foster and promote achievement of the purposes of the Plan, and adopting such modifications, procedures, and/or subplans (with any such subplans attached as appendices to the Plan) and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, or to meet the requirements that permit the Plan to operate in a qualified or tax efficient manner, and/or comply with applicable foreign laws or regulations.

The Committee may adopt such rules or guidelines, as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final, conclusive and binding on all persons. The Committee's decisions and determinations need not be uniform and may be made selectively among Participants in the Committee's sole discretion. The Committee's decisions and determinations will be afforded the maximum deference provided by applicable law.

(c) **Indemnification**. To the maximum extent permitted by applicable law, each member of the Committee, or of the Board, or any persons (including without limitation Employees and Officers) who are delegated by the Board or Committee to perform administrative functions in connection with the Plan, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under

the Plan or any Award agreement, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

SECTION 4. GENERAL.

(a) **Eligibility**. Only Employees, Directors, Non-Employee Directors and Consultants shall be eligible for designation as Key Employees by the Committee.

(b) **Incentive Stock Options**. Only Key Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, a Key Employee who is a 10-Percent Shareholder shall not be eligible for the grant of an ISO unless the requirements set forth in section 422(c)(5) of the Code are satisfied. If and to the extent that any Shares are issued under a portion of any Option that exceeds the $100,000 limitation of Section 422 of the Code, such Shares shall not be treated as issued under an ISO notwithstanding any designation otherwise. Certain decisions, amendments, interpretations and actions by the Committee and certain actions by a Participant may cause an Option to cease to qualify as an ISO pursuant to the Code and by accepting an Option the Participant agrees in advance to such disqualifying action taken by either the Participant, the Committee or the Company.

(c) **Restrictions on Shares**. Any Shares issued pursuant to an Award shall be subject to such Company policies, rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. Such restrictions shall apply in addition to any restrictions that may apply to holders of Shares generally and shall also comply to the extent necessary with applicable law. In no event shall the Company be required to issue fractional Shares under this Plan. Subject to the following sentence and to the extent applicable, no Option may be exercised by a Participant and no Shares will be issued to a Participant to the extent such exercise or issuance of Shares would cause the termination of the Company's status as an "S corporation" under the Code. The requirements of the preceding sentence will no longer be applicable on or after the date of a Change in Control.

(d) **Beneficiaries**. A Participant may designate one or more beneficiaries with respect to an Award by timely filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Participant's death. If no beneficiary was designated or if no designated beneficiary survives the Participant, then after a Participant's death any vested Award(s) shall be transferred or distributed to the Participant's estate.

(e) **Performance Conditions**. The Committee may, in its discretion, include performance conditions in any Award.

(f) **Stockholder Rights**. A Participant, or a transferee of a Participant, shall have no rights as a stockholder (including without limitation voting rights or dividend or distribution rights) with respect to any Common Stock covered by an Award until such person becomes entitled to receive such Common Stock, has satisfied any applicable withholding or tax obligations relating to the Award and the Common Stock has been issued to the Participant. No adjustment shall be made for cash or stock dividends or other rights for which the record date is prior to the date when such Common Stock is issued, except as expressly provided in Section 11. The issuance of an Award may be subject to and conditioned upon the Participant's agreement to become a party to a Stockholders Agreement and be bound by its terms.

(g) **Buyout of Awards**. The Committee may at any time offer to buy out, for a payment in cash or cash equivalents (including without limitation Shares issued at Fair Market Value that may or may not be issued under this Plan), an Award previously granted based upon such terms and conditions as the Committee shall establish.

(h) **Termination of Service**. Unless the applicable Award agreement or employment agreement provides otherwise (and in such case, the Award or employment agreement shall govern as to the consequences of a termination of Service for such Awards subject to Section 4(i)), the following rules shall govern the vesting, exercisability and term of outstanding Awards held by a Participant in the event of termination of such Participant's Service (in all cases subject to the term of the Option or SAR as applicable):

(i) if the Service of a Participant is terminated for Cause, then all Options, SARs, unvested portions of Stock Units and unvested portions of Restricted Stock Grants shall terminate and be forfeited immediately without consideration as of the Termination Date (except for repayment of any amounts the Participant had paid to the Company to acquire unvested Shares underlying the forfeited Awards);

(ii) if the Service of Participant is terminated due to the Participant's death or Disability, then the vested portion of his/her then-outstanding Options/SARs may be exercised by such Participant or his or her personal representative within six months after the Termination Date and all unvested portions of any outstanding Awards shall be forfeited without consideration as of the Termination Date (except for repayment of any amounts the Participant had paid to the Company to acquire unvested Shares underlying the forfeited Awards); and

(iii) if the Service of Participant is terminated for any reason other than for Cause or other than due to death or Disability, then the vested portion of his/her then-outstanding Options/SARs may be exercised by such Participant within three months after the Termination Date and all unvested portions of any outstanding Awards shall be forfeited without consideration as of the

Termination Date (except for repayment of any amounts the Participant had paid to the Company to acquire unvested Shares underlying the forfeited Awards).

(i) **California Participants**. Awards to California Participants shall also be subject to the following terms regarding the time period to exercise vested Options or SARs after termination of Service. These additional terms shall apply until such time that the Shares are publicly traded and/or the Company is subject to the reporting requirements of the Exchange Act: In the event of termination of a Participant's Service, (i) if such termination was for reasons other than death or Disability or Cause, the Participant shall have at least 30 days after the date of such termination to exercise any of his/her vested outstanding Options or SARs (but in no event later than the expiration of the term of such Options or SARs established by the Committee as of the Award date) or (ii) if such termination was due to death or Disability, the Participant shall have at least six months after the date of such termination to exercise any of his/her vested outstanding Options or SARs (but in no event later than the expiration of the term of such Options or SARs established by the Committee as of the Award date).

6) **Suspension or Termination of Awards**. If at any time (including after a notice of exercise has been delivered) the Committee (or the Board), reasonably believes that a Participant has committed an act of Cause (which includes a failure to act), the Committee (or Board) may suspend the Participant's right to exercise any Option or SAR (or vesting of Restricted Stock Grants or Stock Units) pending a determination of whether there was in fact an act of Cause. If the Committee (or the Board) determines a Participant has committed an act of Cause, neither the Participant nor his or her estate shall be entitled to exercise any outstanding Option or SAR whatsoever and all of Participant's outstanding Awards shall then terminate without consideration. Any determination by the Committee (or the Board) with respect to the foregoing shall be final, conclusive and binding on all interested parties.

(k) **Code Section 409A**. Notwithstanding anything in the Plan to the contrary, the Plan and Awards granted hereunder are intended to comply with the requirements of Code Section 409A and shall be interpreted in a manner consistent with such intention. In the event that any provision of the Plan or an Award agreement is determined by the Committee to not comply with the applicable requirements of Code Section 409A or the Treasury Regulations or other guidance issued thereunder, the Committee shall have the authority to take such actions and to make such changes to the Plan or an Award Agreement as the Committee deems necessary to comply with such requirements. Each payment to a Participant made pursuant to this Plan shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. Notwithstanding the foregoing or anything elsewhere in the Plan or an Award Agreement to the contrary, if upon a Participant's Separation From Service he/she is then a "specified employee" (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following such Separation From Service under this Plan until the earlier of (i) the

first business day of the seventh month following the Participant's Separation From Service, or (ii) ten (10) days after the Company receives written confirmation of the Participant's death. Any such delayed payments shall be made without interest. In no event whatsoever shall the Company be liable for any additional tax, interest or penalties that may be imposed on a Participant by Code Section 409A or any damages for failing to comply with Code Section 409A.

(1) **Electronic Communications**. Subject to compliance with applicable law and/or regulations, an Award agreement or other documentation or notices relating to the Plan and/or Awards may be communicated to Participants by electronic media.

(m) **Unfunded Plan**. Insofar as it provides for Awards, the Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants who are granted Awards under this Plan, any such accounts will be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets which may at any time be represented by

Awards, nor shall this Plan be construed as providing for such segregation, nor shall the Company or the Committee be deemed to be a trustee of stock or cash to be awarded under the Plan.

(n) **Liability of Company Plan**. The Company (or members of the Board or Committee) shall not be liable to a Participant or other persons as to: (i) the non-issuance or sale of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder; and (ii) any unexpected or adverse tax consequence or any tax consequence expected, but not realized, by any Participant or other person due to the grant, receipt, exercise or settlement of any Award granted under this Plan.

(o) **Reformation**. In the event any provision of this Plan shall be held illegal or invalid for any reason, such provisions will be reformed by the Board if possible and to the extent needed in order to be held legal and valid. If it is not possible to reform the illegal or invalid provisions then the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

(p) **Successor Provision**. Any reference to a statute, rule or regulation, or to a section of a statute, rule or regulation, is a reference to that statute, rule, regulation, or section as amended from time to time, both before and after the Adoption Date and including any successor provisions.

(q) **Governing Law**. This Plan, and (unless otherwise provided in the Award Agreement) all Awards, shall be construed in accordance with and governed by the laws of the State of Delaware, but without regard to its conflict of law provisions. The Committee may provide that any dispute as to any Award shall be presented and determined in such forum as the Committee may specify, including through binding arbitration. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal

or state courts of Delaware to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

SECTION 5. SHARES SUBJECT TO PLAN AND SHARE LIMITS.

(a) **Basic Limitations**. The Common Stock issuable under the Plan shall be authorized but unissued Shares or treasury Shares. Subject to adjustment as provided in Section 11, the maximum aggregate number of Shares that may be issued:

(i) under the Plan shall not exceed 4,144,681 Shares (the "Share Limit"); and

(ii) pursuant to the exercise of ISOs granted under this Plan shall not exceed 4,144,681 Shares (the "ISO Limit").

(b) **Share Utilization**. If Awards are forfeited or are terminated for any reason (including the repurchase of unvested Shares from either an Option that was early exercised or from a Restricted Stock Grant), then the forfeited/terminated/repurchased Shares underlying such Awards shall not be counted against the Share Limit. If exercised SARs or Stock Units are settled in Shares, then only the number of Shares (if any) actually issued in settlement of such SARs or Stock Units shall be counted against the Share Limit. If a Participant pays the Exercise Price by Net Exercise or by surrendering previously owned Shares (or by stock attestation) and/or, as permitted by the Committee, pays any withholding tax obligation with respect to an Award by Net Exercise or by electing to have Shares withheld or surrendering previously owned Shares (or by stock attestation), the surrendered Shares and the Shares withheld to pay taxes shall not count toward the Share Limit. Any Shares that are delivered and any Awards that are granted by, or become obligations of, the Company, as a result of the assumption by the Company of, or in substitution for, outstanding awards previously granted by another entity (as provided in Sections 6(e), 8(f), 9(e) or 10(e)) shall not be counted against the Share Limit or ISO Limit.

(c) **Dividend Equivalents**. Any dividend equivalents distributed under the Plan shall not be counted against the Share Limit.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) **Stock Option Agreement**. Each Award of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan (including without limitation any performance conditions). The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. The Stock Option Agreement shall also specify whether the Option is an ISO and if not specified then the Option shall be an NSO.

(b) **Number of Shares**. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 11.

(c) **Exercise Price**. An Option's Exercise Price shall be established by the Committee and set forth in a Stock Option Agreement. Except with respect to outstanding stock options being assumed or Options being granted in exchange for cancellation of options granted by another issuer as provided under Section 6(e), the Exercise Price of an Option shall not be less than 100% of the Fair Market Value (110% for 10-Percent Shareholders in the case of ISOs) of a Share on the date of Award.

(d) **Exercisability and Term**. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become vested and/or exercisable. The Stock Option Agreement shall also specify the term of the Option; provided, however that the term of an Option shall in no event exceed ten (10) years from the date of Award. An ISO that is granted to a 10-Percent Shareholder shall have a maximum term of five (5) years. No Option can be exercised after the expiration date specified in the applicable Stock Option Agreement. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, Disability or retirement or other events. A Stock Option Agreement may permit an Optionee to exercise an Option before it is vested (an "early exercise"), subject to the Company's right of repurchase at the original Exercise Price of any Shares acquired under the unvested portion of the Option which right of repurchase shall lapse at the same rate the Option would have vested had there been no early exercise. In no event shall the Company be required to issue fractional Shares upon the exercise of an Option and the Committee may specify a minimum number of Shares that must be purchased in any one Option exercise.

(e) **Modifications or Assumption of Options**. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding Options or may accept the cancellation of outstanding stock options (whether granted by the Company or by another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. For the avoidance of doubt, the Committee may in its discretion Re-Price outstanding Options. No modification of an Option shall, without the consent of the Optionee, impair his or her rights or increase his or her obligations under such Option.

(f) **Assignment or Transfer of Options**. Except as otherwise provided in the applicable Stock Option Agreement and then only to the extent permitted by applicable law, no Option shall be transferable by the Optionee other than by will or by the laws of descent and distribution. Except as otherwise provided in the applicable Stock Option Agreement, an Option may be exercised during the lifetime of the Optionee only by Optionee or by the guardian or legal representative of the Optionee. Except as otherwise provided in the applicable Stock Option Agreement, no Option or interest therein may be subject to a short position or a Call Equivalent Position or Put Equivalent Position, nor may any Option or interest therein be gifted, transferred, assigned, alienated, pledged, hypothecated, attached, sold, or encumbered by the Optionee during his/her lifetime,

whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(g) **Additional Disclosure**. Solely to the extent that the Company is relying on the exemption from registration under Section 12(g) of the Exchange Act, as provided by Rule 12h-l(f) of the Exchange Act, the Company shall provide (or make available to) Optionees with the additional disclosures required by Rule 12h-1(f)(1)(vi) of the Exchange Act. As a condition to receiving these additional disclosures, an Optionee shall agree in writing to keep the information provided in these additional disclosures confidential. If an Optionee does not agree in writing to keep this information confidential, then the Company shall not be required to provide the additional disclosures required by this Section 6(g).

SECTION 7. PAYMENT FOR OPTION SHARES.

(a) **General Rule**. The entire Exercise Price of Shares issued upon exercise of Options shall be payable in cash (or check) at the time when such Shares are purchased by the Optionee, except as follows and if so provided for in an applicable Stock Option Agreement:

(i) In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Section 7.

(ii) In the case of an NSO granted under the Plan, the Committee may in its discretion, at any time accept payment in any form(s) described in this Section 7.

(b) **Surrender of Stock**. To the extent that the Committee makes this Section 7(b) applicable to an Option in a Stock Option Agreement, payment for all or any part of the Exercise Price may be made with Shares which have already been owned by the Optionee for such duration as shall be specified by the Committee. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the Plan.

(c) **Cashless Exercise**. To the extent that the Committee makes this Section 7(c) applicable to an Option in a Stock Option Agreement, payment for all or a part of the Exercise Price may be made through Cashless Exercise.

(d) **Net Exercise**. To the extent that the Committee makes this Section 7(d) applicable to an Option in a Stock Option Agreement, payment for all or a part of the Exercise Price may be made through Net Exercise.

(e) **Other Forms of Payment**. To the extent that the Committee makes this Section 7(e) applicable to an Option in a Stock Option Agreement, payment may be made in any other form that is consistent with applicable laws, regulations and rules and approved by the Committee.

SECTION 8. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

(a) **SAR Agreement**. Each Award of a SAR under the Plan shall be evidenced by a SAR Agreement between the Participant and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan (including without limitation any performance conditions). A SAR Agreement may provide for a maximum limit on the amount of any payout notwithstanding the Fair Market Value on the date of exercise of the SAR. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Participant's other compensation.

(b) **Number of Shares**. Each SAR Agreement shall specify the number of Shares to which the SAR pertains and is subject to adjustment of such number in accordance with Section 11.

(c) **Exercise Price**. Each SAR Agreement shall specify the Exercise Price. A SAR Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the SAR is outstanding. Except with respect to outstanding stock appreciation rights being assumed or SARs being granted in exchange for cancellation of stock appreciation rights granted by another issuer as provided under Section 8(f), the Exercise Price of a SAR shall not be less than 100% of the Fair Market Value on the date of Award.

(d) **Exercisability and Term**. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The SAR Agreement shall also specify the term of the SAR which shall not exceed ten years from the date of Award. No SAR can be exercised after the expiration date specified in the applicable SAR Agreement. A SAR Agreement may provide for accelerated exercisability in the event of the Participant's death, or Disability or other events. SARs may be awarded in combination with Options or other Awards, and such an Award may provide that the SARs will not be exercisable unless the related Options or other Awards are forfeited. A SAR may be included in an ISO only at the time of Award but may be included in an NSO at the time of Award or at any subsequent time, but not later than six months before the expiration of such NSO. A SAR granted under the Plan may provide that it will be exercisable only in the event of a Change in Control.

(e) **Exercise of SARs**. If, on the date when a SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR may automatically be deemed to be exercised as of such date with respect to such portion to the extent so provided in the applicable SAR agreement. Upon exercise of a SAR, the Participant (or any person having the right to exercise the SAR after Participant's death) shall receive from the Company (i) Shares, (ii) cash or (iii) any combination of Shares and cash, as the Committee shall determine. The amount of cash and/or the Fair Market Value of Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which

the Fair Market Value (on the date of surrender) of the Shares subject to the SARs exceeds the Exercise Price of the Shares.

(f) **Modification or Assumption of SARs**. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding SARs or may accept the cancellation of outstanding SARs (including stock appreciation rights granted by another issuer) in return for the grant of new SARs for the same or a different number of Shares and at the same or a different Exercise Price. For the avoidance of doubt, the Committee may in its discretion Re-Price outstanding SARs. No modification of a SAR shall, without the consent of the Participant, impair his or her rights or increase his or her obligations under such SAR.

(g) **Assignment or Transfer of SARs**. Except as otherwise provided in the applicable SAR Agreement and then only to the extent permitted by applicable law, no SAR shall be transferable by the Participant other than by will or by the laws of descent and distribution. Except as otherwise provided in the applicable SAR Agreement, a SAR may be exercised during the lifetime of the Participant only by the Participant or by the guardian or legal representative of the Participant. No SAR or interest therein may be transferred, assigned, alienated, pledged, hypothecated, attached, sold, or encumbered by the Participant during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

SECTION 9. TERMS AND CONDITIONS FOR RESTRICTED STOCK GRANTS.

(a) **Restricted Stock Grant Agreement**. Each Restricted Stock Grant awarded under the Plan shall be evidenced by a Restricted Stock Grant Agreement between the Participant and the Company. Each Restricted Stock Grant shall be subject to all

applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan (including without limitation any performance conditions). The provisions of the Restricted Stock Grant Agreements entered into under the Plan need not be identical.

(b) **Number of Shares and Payment**. Each Restricted Stock Grant Agreement shall specify the number of Shares to which the Restricted Stock Grant pertains and is subject to adjustment of such number in accordance with Section 11. Restricted Stock Grants may be issued with or without cash consideration under the Plan.

(c) **Vesting Conditions**. Each Restricted Stock Grant may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Grant Agreement. A Restricted Stock Grant Agreement may provide for accelerated vesting in the event of the Participant's death, or Disability or other events.

(d) **Voting and Dividend Rights**. The holder of a Restricted Stock Grant (irrespective of whether the Shares subject to the Restricted Stock Grant are vested or unvested) awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders. However, any dividends received on Shares that

are unvested (whether such dividends are in the form of cash or Shares) may be subject to the same vesting conditions and restrictions as the Restricted Stock Grant with respect to which the dividends were paid. Such additional Shares issued as dividends that are subject to the Restricted Stock Grant shall not reduce the number of Shares available for issuance under Section 5.

(e) **Modification or Assumption of Restricted Stock Grants**. Within the limitations of the Plan, the Committee may modify or assume outstanding Restricted Stock Grants or may accept the cancellation of outstanding Restricted Stock Grants (including stock granted by another issuer) in return for the grant of new Restricted Stock Grants for the same or a different number of Shares. No modification of a Restricted Stock Grant shall, without the consent of the Participant, impair his or her rights or increase his or her obligations under such Restricted Stock Grant.

(f) **Assignment or Transfer of Restricted Stock Grants**. Except as provided in Section 14, or in a Restricted Stock Grant Agreement, or as required by applicable law, a Restricted Stock Grant awarded under the Plan shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 9(f) shall be void. However, this Section 9(f) shall not preclude a Participant from designating a beneficiary pursuant to Section 4(d) nor shall it preclude a transfer of Restricted Stock Grant Awards by will or pursuant to Section 4(d).

SECTION 10. TERMS AND CONDITIONS FOR STOCK UNITS.

(a) **Stock Unit Agreement**. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Agreement between the Participant and the Company. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan (including without limitation any performance conditions). The provisions of the various Stock Unit Agreements entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the Participant's other compensation.

(b) **Number of Shares and Payment**. Each Stock Unit Agreement shall specify the number of Shares to which the Stock Unit Award pertains and is subject to adjustment of such number in accordance with Section 11. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

(c) **Vesting Conditions**. Each Award of Stock Units may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement. A Stock Unit Agreement may provide for accelerated vesting in the event of the Participant's death, or Disability or other events.

(d) **Voting and Dividend Rights**. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash or Common Stock

dividends paid on one Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Shares, or in a combination of both. Prior to vesting of the Stock Units, any dividend equivalents accrued on such unvested Stock Units may be subject to the same vesting conditions and restrictions as the Stock Units to which they attach.

(e) **Modification or Assumption of Stock Units**. Within the limitations of the Plan, the Committee may modify or assume outstanding Stock Units or may accept the cancellation of outstanding Stock Units (including stock units granted by another

issuer) in return for the grant of new Stock Units for the same or a different number of Shares. No modification of a Stock Unit shall, without the consent of the Participant, impair his or her rights or increase his or her obligations under such Stock Unit.

(f) **Assignment or Transfer of Stock Units**. Except as provided in Section 14, or in a Stock Unit Agreement, or as required by applicable law, Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 10(f) shall be void. However, this Section 10(f) shall not preclude a Participant from designating a beneficiary pursuant to Section 4(d) nor shall it preclude a transfer of Stock Units pursuant to Section 4(d).

(g) **Form and Time of Settlement of Stock Units**. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Shares or (c) any combination of both, as determined by the Committee. The actual number of Stock Units eligible for settlement may be larger or smaller than the number included in the original Award. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Shares over a series of trading days. Except as otherwise provided in a Stock Unit Agreement or a timely completed deferral election, vested Stock Units shall be settled within thirty days after vesting. The distribution may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred, in accordance with applicable law, to a later specified date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Section 11.

(h) **Creditors' Rights**. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

SECTION 11. ADJUSTMENTS.

(a) **Adjustments**. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a

combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a stock split, a reverse stock split, a reclassification or other distribution of the Shares without the receipt of consideration by the Company, of or on the Common Stock, a recapitalization, a combination, a spin-off or a similar occurrence, the Committee shall make equitable and proportionate adjustments to:

(i) the Share Limit and ISO Limit specified in Section 5(a);

(ii) the number and kind of securities available for Awards (and which can be issued as ISOs) under Section 5;

(iii) the number and kind of securities covered by each outstanding Award;

(iv) the Exercise Price under each outstanding Option and SAR; and

(v) the number and kind of outstanding securities issued under the Plan.

(b) **Participant Rights**. Except as provided in this Section 11, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class. If by reason of an adjustment pursuant to this Section 11, a Participant's Award covers additional or different shares of stock or securities, then such additional or different shares and the Award in respect thereof shall be subject to all of the terms, conditions and restrictions which were applicable to the Award and the Shares subject to the Award prior to such adjustment.

(c) **Fractional Shares**. Any adjustment of Shares pursuant to this Section 11 shall be rounded down to the nearest whole number of Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares. To the extent permitted by applicable law, no consideration shall be provided as a result of any fractional shares not being issued or authorized.

SECTION 12. EFFECT OF A CHANGE IN CONTROL.

(a) **Merger or Reorganization**. In the event that there is a Change in Control and/or the Company is a party to a merger or acquisition or reorganization or similar transaction, outstanding Awards shall be subject to the merger agreement or other applicable transaction agreement, except as may otherwise be provided in a Participant employment agreement or applicable Award agreement (and in such case the employment agreement or Award agreement shall govern). Such agreement may provide, without limitation, that subject to the consummation of the applicable transaction, for the assumption (or substitution) of outstanding Awards by the surviving corporation or its parent, for their continuation by the Company (if the Company is a surviving corporation), for accelerated vesting or for their cancellation with or without consideration, in all cases without the consent of the Participant.

(b) **Acceleration of Vesting**. In the event that a Change in Control occurs and there is no assumption, substitution or continuation of Awards pursuant to Section 12(a), the Committee in its discretion may provide that all Awards shall vest and become exercisable as of immediately before such Change in Control. For avoidance of doubt, "substitution" includes, without limitation, an Award being replaced by a cash award that provides an equivalent intrinsic value (wherein intrinsic value equals the difference between the market value of a share and any exercise price). The Committee may also in its discretion include in an Award agreement a requirement that unless Section 280G Approval has been obtained, no acceleration of vesting shall occur with respect to an Award to the extent that such acceleration would, after taking into account any other payments in the nature of compensation to which the Participant would have a right to receive from the Company and any other person contingent upon the occurrence of such Change in Control, result in a "parachute payment" as defined under Code Section 280G.

SECTION 13. LIMITATIONS ON RIGHTS.

(a) **Retention Rights**. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain in Service as an Employee, Consultant, Director or Non-Employee Director of the Company, a Parent, a Subsidiary or an Affiliate or to receive any future Awards under the Plan. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate the Service of any person at any time, and for any reason, subject to applicable laws, the Company's Certificate of Incorporation and Bylaws and a written employment agreement (if any).

(b) **Regulatory Requirements**. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Shares or other securities under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Shares or other securities pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Shares or other securities, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

(c) **Dissolution**. To the extent not previously exercised or settled, all Options, SARs, Stock Units and unvested Restricted Stock Grants shall terminate immediately prior to the dissolution or liquidation of the Company and shall be forfeited to the Company without consideration (except for repayment of any amounts a Participant had paid to the Company to acquire unvested Shares underlying the forfeited Awards).

(d) **Clawback Policy**. The Company may (i) cause the cancellation of any Award, (ii) require reimbursement of any Award by a Participant and (iii) effect any other right of recoupment of equity or other compensation provided under this Plan or otherwise in accordance with Company policies and/or applicable law (each, a "Clawback Policy"). In addition, a Participant may be required to repay to the Company certain previously paid compensation, whether provided under this Plan or an Award Agreement or otherwise, in accordance with the Clawback Policy.

SECTION 14. WITHHOLDING TAXES.

(a) **General**. A Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with his or her Award. The Company shall not be required to issue any Shares or make any cash payment under the Plan until such obligations are satisfied.

(b) **Share Withholding**. The Committee in its discretion may permit or require a Participant to satisfy all or part of his or her withholding tax obligations by having the Company withhold all or a portion of any Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Shares that he or she previously acquired (or by stock attestation). Such Shares shall be valued based on the value of the actual trade or, if there is none, the Fair Market Value as of the previous day. Any payment of taxes by assigning Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the SEC. The Committee may also, in its discretion, permit or require a Participant to satisfy withholding tax obligations related to an Award through a sale of Shares underlying the Award or, in the case of Options, through Net Exercise or Cashless Exercise. The number of Shares that are withheld from an Award pursuant to this section may also be limited by the Committee, to the extent necessary, to avoid liability-classification of the Award (or other adverse accounting treatment) under applicable financial accounting rules including without limitation by requiring that no amount may be withheld which is in excess of minimum statutory withholding rates.

SECTION 15. DURATION AND AMENDMENTS.

(a) **Term of the Plan**. The Plan, as set forth herein, is effective on the Adoption Date. The Plan shall terminate on the day before the tenth anniversary of the Adoption Date and may be terminated on any earlier date pursuant to this Section 15. This Plan will not in any way affect outstanding awards that were issued under any other Company equity compensation plans.

(b) **Right to Amend or Terminate the Plan**. The Board may amend or terminate the Plan at any time and for any reason. No Awards shall be granted under the Plan after the Plan's termination. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules. In addition, no such

amendment or termination shall be made which would materially impair the rights of any Participant, without such Participant's written consent, under any then-outstanding Award. In the event of any conflict in terms between the Plan and any Award agreement, the terms of the Plan shall prevail and govern.

SECTION 16. EXECUTION.

To record the adoption of the Plan by the Board, the Company has caused its duly authorized Officer to execute this Plan on behalf of the Company.

TRACON PHARMACEUTICALS, INC.

By: /s/ Charles P. Theuer

Name: Charles P. Theuer

Title: President and Chief Executive Officer

GRANT NO. _____

TRACON PHARMACEUTICALS, INC.
2011 EQUITY INCENTIVE PLAN

INCENTIVE STOCK OPTION AGREEMENT

The Company hereby grants an Option to purchase Shares to the Optionee named below. The terms and conditions of the Option are set forth in this cover sheet, in the attached Incentive Stock Option Agreement and in the Tracon Pharmaceuticals, Inc. 2011 Equity Incentive Plan. This cover sheet is incorporated into and a part of the attached Incentive Stock Option Agreement (together, the "Agreement").

Date of Option Grant: _____

Name of Optionee: _____

Number of Shares Covered by Option: _____

Exercise Price per Share: $_____.___

Fair Market Value of a Share on Date of Option Grant: $_____.___

Expiration Date: _____

Vesting Calculation Date: _____

Vesting Schedule:

Subject to all the terms of the Agreement and your continued Service, your right to purchase Shares under this Option shall vest as to one-fourth (1/4) of the total number of Shares covered by this Option, as shown above, on the first anniversary of the Vesting Calculation Date. Thereafter, the number of Shares which you may purchase under this Option shall vest at the rate of one-forty-eighth (1/48) of the total number of Shares covered by this Option per calendar month on the last day of each of the thirty-five (35) months following the month of the first anniversary of the Vesting Calculation Date and the final one-forty-eighth (1/48) of the total number of Shares covered by this Option shall vest on the fourth anniversary of the Vesting Calculation Date. In all cases, the resulting aggregate number of vested Shares will be rounded down to the nearest whole number. No Shares subject to this Option will vest after your Service has terminated for any reason.

By signing this cover sheet, you agree to all of the terms and conditions described in the Agreement and in the Plan. You are also acknowledging receipt of this Agreement and a copy of the Plan, a copy of which is also enclosed.

Optionee: _____
(Signature)

Company: _____

(Signature)

Title: _____

Attachment

TRACON PHARMACEUTICALS, INC.
2011 EQUITY INCENTIVE PLAN

INCENTIVE STOCK OPTION AGREEMENT

1. The Plan and Other Agreements

The text of the Plan is incorporated in this Agreement by reference. Certain capitalized terms used in this Agreement are defined in the Plan.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this Option. Any prior agreements, commitments or negotiations concerning this Option are superseded.

2. Incentive Stock Option

This Option is intended to be an Incentive Stock Option under section 422 of the Code and will be interpreted accordingly.

If you cease to be an employee of the Company, a Subsidiary or of a Parent but continue to provide Service, this Option will be treated as a Nonstatutory Stock Option on the day after the date that is three (3) months after you cease to be an employee of the Company (and any Subsidiary or any Parent): (i) even if you continue to provide Service after your employment has terminated or (ii) if your termination of employment was for any reason other than due to your death or Disability. In addition, to the extent that all or part of this Option exceeds the $100,000 limitation rule of section 422(d) of the Code, this Option or the lesser excess part will be treated as a Nonstatutory Stock Option.

This Option is not intended to be deferred compensation under section 409A of the Code and will be interpreted accordingly.

3. Vesting

This Option is only exercisable before it expires and only with respect to the vested portion of the Option. This Option will vest according to the Vesting Schedule described in the cover sheet of this Agreement.

4. Term

Your Option will expire in all cases no later than the close of business at Company headquarters on the Expiration Date, as shown on the cover sheet. Your Option may expire earlier if your Service terminates, as described in Sections 5, 6 and 7 below or on the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or reorganization or similar transaction involving the Company.

5. Termination of Service - General

If, while the Option is outstanding, your Service terminates for any reason, other than being terminated by the Company for Cause or due to your death or Disability, then the unvested

portion of your Option shall be forfeited without consideration and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is ninety (90) days after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or reorganization or similar transaction involving the Company. In no event is the Option exercisable after the Expiration Date.

6. Termination of Service for Cause

If your Service is terminated by the Company for Cause or if you commit an act(s) of Cause while this Option is outstanding, as determined by the Committee in its sole discretion, then you shall immediately forfeit all rights to your Option without consideration, including any vested portion of the Option, and the entire Option shall immediately expire, and any rights,

payments and benefits with respect to the Option shall be subject to reduction or recoupment in accordance with the Clawback Policy and the Plan. For avoidance of doubt, your Service shall also be deemed to have been terminated for Cause by the Company if, after your Service has otherwise terminated, facts and circumstances are discovered that would have justified a termination for Cause, including, without limitation, your violation of Company policies or breach of confidentiality or other restrictive covenants or conditions that may apply to you prior to or after your Termination Date.

7. Termination of Service due to Death or Disability

If your Service terminates because of your death or Disability, then the unvested portion of your Option shall be forfeited without consideration and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is six (6) months after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or similar transaction involving the Company. In no event is the Option exercisable after the Expiration Date. If your Service terminated due to your death, then your estate may exercise the vested portion of your Option during the foregoing post-Service exercise period.

8. Leaves of Absence

For purposes of this Option, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by the Company in writing, if the terms of the leave provide for

continued Service crediting, or when continued Service crediting is required by applicable law. For income tax purposes, if the period of leave exceeds three (3) months and your right to reemployment is not provided either by statute or by contract, then this Option will be treated as a Nonstatutory Stock Option if the exercise of this Option occurs after the expiration of six (6) months from the commencement of such leave of absence. Your Service terminates in any event when the approved leave ends unless you immediately return to active work.

The Company determines which leaves count for this purpose (along with determining the effect of a leave of absence on vesting of the Option), and when your Service terminates for all purposes under the Plan.

9. Notice of Exercise

When you wish to exercise this Option, you must notify the Company by filing a "Notice of Exercise" form at the address given on the form. Your notice must specify how many Shares you wish to purchase. Your notice must also specify how your Shares should be registered (in your name only or in your and your spouse's names as community property or as joint tenants with right of survivorship). The notice will be effective when it is received by the Company.

If someone else wants to exercise this Option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

10. Form of Payment

When you submit your notice of exercise, you must include payment of the Exercise Price for the Shares you are purchasing. Payment may be made in one (or a combination) of the following forms:

- Cash, your personal check, a cashier's check or a money order.
- Shares which have already been owned by you for more than six (6) months and which are surrendered to the Company. The Fair Market Value of the Shares, determined as of the effective date of the Option exercise, will be applied to the Exercise Price.
- To the extent a public market for the Shares exists as determined by the Company, by Cashless Exercise through delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in

payment of the aggregate Exercise Price.

11. Withholding Taxes

You will be solely responsible for payment of any and all applicable taxes associated with this Option.

You will not be allowed to exercise this Option unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the Option exercise or sale of Shares acquired under this Option.

12. Restrictions on Exercise and Resale

By signing this Agreement, you agree not to (i) exercise this Option ("Exercise Prohibition"), or (ii) sell, transfer, dispose of, pledge, hypothecate, make any short sale of, or otherwise effect a similar transaction of any Shares acquired under this Option (each a "Sale Prohibition") at a time when applicable laws, regulations or Company or underwriter trading policies prohibit the exercise or disposition of Shares. The Company will not permit you to exercise this Option if the issuance of Shares at that time would violate any law or regulation. The Company shall have the right to designate one or more periods of time, each of which generally will not exceed one hundred eighty (180) days in length (provided however, that such period may be extended in connection with the Company's release (or announcement of release) of earnings results or other material news or events), and to impose an Exercise Prohibition and/or Sale Prohibition, if the Company determines (in its sole discretion) that such limitation(s) is needed in connection with a public offering of Shares or to comply with an underwriter's request or trading policy, or could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. The Company may issue stop/transfer instructions and/or appropriately legend any stock certificates issued pursuant to this Option in order to ensure compliance with the foregoing. Any such Exercise Prohibition shall not alter the vesting schedule set forth in this Agreement other than to limit the periods during which this Option shall be exercisable.

If the sale of Shares under the Plan is not registered under the Securities Act, but an exemption is available which requires an investment or other representation, you shall represent and agree at the time of exercise that the Shares being acquired upon

exercise of this Option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

You may also be required, as a condition of exercise of this Option, to enter into any Stockholders Agreement or other agreements that are applicable to stockholders.

If you sell or otherwise dispose of any of the Shares acquired pursuant to the exercise of this Option on or before the later of (i) the date that is two years after the Date of Option Grant or (ii) the date that is one year after the applicable exercise of this Option, then you shall within ten days of any and all such sales or dispositions provide the Company with written notice of such transactions including without limitation the date of each disposition, the number of Shares that you disposed of in each transaction and their original Date of Option Grant, and the amount of proceeds you received from each disposition.

13. The Company's Right of First Refusal

In the event that you propose to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the "Right of First Refusal" with respect to all (and not less than all) of such Shares. If you desire to transfer Shares acquired under this Agreement, you must give a written "Transfer Notice" to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price and the name and address of the proposed transferee.

The Transfer Notice shall be signed both by you and by the proposed new transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted in the next paragraph) by delivery of a notice of exercise of the Right of First Refusal within thirty (30) days after the date when the Transfer Notice was received by the Company. The Company's rights under this subsection shall be freely assignable, in whole or in part.

If the Company fails to exercise its Right of First Refusal within thirty (30) days after the date when it received the Transfer Notice, you may, not later than ninety (90) days following

receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms

and conditions described in the Transfer Notice. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by you, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in the paragraph above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within sixty (60) days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than lawful money paid at the time of transfer, the Company shall have the option of paying for the Shares with lawful money equal to the present value of the consideration described in the Transfer Notice.

The Company's Right of First Refusal shall inure to the benefit of its successors and assigns and shall be binding upon any transferee of the Shares.

The Company's Right of First Refusal shall terminate in the event that Shares are listed on an established stock exchange or are quoted regularly on the OTC Bulletin Board.

14. Right of Repurchase

Following your Termination Date after termination of your Service for any reason, the Company shall have the right to purchase all of those Shares that you have or will acquire under this Option. If the Company exercises its right to purchase such Shares, the purchase price shall be the Fair Market Value of those Shares on the date of purchase as determined by the Board of Directors and shall be paid in cash. The Company will notify you of its intention to purchase such Shares, and will consummate the purchase within any time period established by applicable law. The Company's right of repurchase shall inure to the benefit of its successors and assigns and shall be binding upon any transferee of the Shares. The Company's rights under this subsection shall be freely assignable, in whole or in part. The Company's right of repurchase shall terminate in the event that the Shares are listed on an established stock exchange or are quoted regularly on the OTC Bulletin Board.

15. Transfer of Option

Prior to your death, only you may exercise this Option. You cannot gift, transfer, assign, alienate, pledge, hypothecate, attach, sell, or encumber this Option or subject it to any short position, Call Equivalent Position or Put Equivalent Position. If you attempt to do any of these things, this Option will immediately become invalid. You may, however, dispose of this

Option in your will or it may be transferred by the laws of descent and distribution. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse's interest in your Option in any other way.

16. Retention Rights

Your Option or this Agreement does not give you the right to be retained by the Company (or any Parent or any Subsidiaries or Affiliates) in any capacity. The Company (or any Parent and any Subsidiaries or Affiliates) reserves the right to terminate your Service at any time and for any reason.

This Option and the Shares subject to the Option are not intended to constitute or replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

17. Stockholder Rights

You, or your estate, shall have no rights as a stockholder of the Company with regard to the Option until you have been issued the applicable Shares by the Company and have satisfied all other conditions specified in Section 4(f) of the Plan. No adjustment shall be made for cash or stock dividends or other rights for which the record date is prior to the date when such applicable Shares are issued, except as provided in the Plan.

18. Adjustments

In the event of a stock split, a stock dividend or a similar change in the Company stock, the number of Shares covered by this Option (rounded down to the nearest whole number) and the Exercise Price per Share may be adjusted pursuant to the Plan. Your Option shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

19. Legends

All certificates representing the Shares issued upon exercise of this Option may, where applicable, have endorsed thereon the following legends and any other legend the Company determines appropriate:

"THE SHARES REPRESENTED BY THIS CERTIFICATE

ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND OPTIONS TO PURCHASE SUCH SHARES SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE."

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

20. Applicable Law

This Agreement will be interpreted and enforced under the laws of the State of Delaware without reference to the conflicts of law provisions thereof.

21. Voluntary Participant

You acknowledge that you are voluntarily participating in the Plan.

22. No Rights to Future Awards

Your rights, if any, in respect of or in connection with this Option or any other Awards are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary future Award. By accepting this Option, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you or benefits in lieu of Options or any other Awards even if Awards have been granted repeatedly in the past. All decisions with respect to future Awards, if any, will be at the sole discretion of the Committee.

23. Future Value

The future value of the underlying Shares is unknown and cannot be predicted with certainty. If the underlying Shares do not increase in value after the Date of Option Grant, the Option will have little or no value. If you exercise the Option and obtain Shares, the value of the Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price.

24. No Advice Regarding Grant

The Company has not provided any tax, legal or financial advice, nor has the Company made any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

25. No Right to Damages

You will have no right to bring a claim or to receive damages if any portion of the Option is cancelled or expires unexercised. The loss of existing or potential profit in the Option will not constitute an element of damages in the event of the termination of your Service for any reason, even if the termination is in violation of an obligation of the Company or a Parent or a Subsidiary or an Affiliate to you.

Additionally, you understand and agree that the Company will not be responsible for any adverse or unexpected tax consequences imposed by Code Sections 409A, 422 or 280G or any other law or regulation and that you will be solely responsible for any tax liability imposed on

you as a result of this Agreement. Moreover, the Company makes no representation or covenant to ensure that this Option is exempt from Code Section 409A and will have no liability to you or any other party if this Option, as amended, is not so exempt from or compliant with Code Section 409A.

26. Data Privacy

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company holds certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Shares awarded, cancelled, purchased, exercised, vested, unvested or outstanding in your favor for the purpose of implementing, managing and administering the Plan ("Data"). You understand that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere and that the recipient country may have different data privacy laws and protections than your country. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom you may elect to deposit any Shares acquired under the Plan.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.

GRANT NO. _____

TRACON PHARMACEUTICALS, INC.
2011 EQUITY INCENTIVE PLAN

INCENTIVE STOCK OPTION AGREEMENT

The Company hereby grants an Option to purchase Shares to the Optionee named below. The terms and conditions of the Option are set forth in this cover sheet, in the attached Incentive Stock Option Agreement and in the Tracon Pharmaceuticals, Inc. 2011 Equity Incentive Plan. This cover sheet is incorporated into and a part of the attached Incentive Stock Option Agreement (together, the "Agreement").

Date of Option Grant: _____

Name of Optionee: _____

Number of Shares Covered by Option: _____

Exercise Price per Share: $_____.___

Fair Market Value of a Share on Date of Option Grant: $_____.___

Expiration Date: _____

Vesting Calculation Date: _____

Vesting Schedule:

Subject to all the terms of the Agreement and your continued Service, your right to purchase Shares under this Option shall vest as to one-fourth (1/4) of the total number of Shares covered by this Option, as shown above, on the first anniversary of the Vesting Calculation Date. Thereafter, the number of Shares which you may purchase under this Option shall vest at the rate of one-forty-eighth (1/48) of the total number of Shares covered by this Option per calendar month on the last day of each of the thirty-five (35) months following the month of the first anniversary of the Vesting Calculation Date and the final one-forty-eighth (1/48) of the total number of Shares covered by this Option shall vest on the fourth anniversary of the Vesting Calculation Date. In all cases, the resulting aggregate number of vested Shares will be rounded down to the nearest whole number. No Shares subject to this Option will vest after your Service has terminated for any reason.

By signing this cover sheet, you agree to all of the terms and conditions described in the Agreement and in the Plan. You are also acknowledging receipt of this Agreement and a copy of the Plan, a copy of which is also enclosed.

Optionee: _____
(Signature)

Company: _____
(Signature)

Title: _____

Attachment

TRACON PHARMACEUTICALS, INC.
2011 EQUITY INCENTIVE PLAN

INCENTIVE STOCK OPTION AGREEMENT

1. The Plan and Other Agreements

The text of the Plan is incorporated in this Agreement by reference. Certain capitalized terms used in this Agreement are defined in the Plan.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this Option. Any prior agreements, commitments or negotiations concerning this Option are superseded.

2. Incentive Stock Option

This Option is intended to be an Incentive Stock Option under section 422 of the Code and will be interpreted accordingly.

If you cease to be an employee of the Company, a Subsidiary or of a Parent but continue to provide Service, this Option will be treated as a Nonstatutory Stock Option on the day after the date that is three (3) months after you cease to be an employee of the Company (and any Subsidiary or any Parent): (i) even if you continue to provide Service after your employment has terminated or (ii) if your termination of employment was for any reason other than due to your death or Disability. In addition, to the extent that all or part of this Option exceeds the $100,000 limitation rule of section 422(d) of the Code, this Option or the lesser excess part will be treated as a Nonstatutory Stock Option.

This Option is not intended to be deferred compensation under section 409A of the Code and will be interpreted accordingly.

3. Vesting

This Option is only exercisable before it expires and only with respect to the vested portion of the Option. This Option will vest according to the Vesting Schedule described in the cover sheet of this Agreement and in the following paragraphs of this Section 3.

In accordance with Plan Section 12, if a Change in Control occurs during your Service and there is no assumption, substitution or continuation of this Option pursuant to Plan Section 12, then the outstanding unvested portion of this Option shall fully vest on an accelerated basis and become exercisable as of immediately before such Change in Control.

If your Service is terminated without Cause by the Company (or its successor) either on the date of a Change in Control or during the 18 month period following a Change in Control, then the outstanding unvested portion of this Option shall fully vest on an accelerated basis and become exercisable on your Termination Date.

Notwithstanding the foregoing paragraphs, in accordance with Plan Section 12, unless Section 280G Approval has been obtained or unless the Committee in its sole discretion waives this requirement to obtain Section 280G Approval, no acceleration of vesting shall occur with respect to this Option to the extent that such acceleration would, after taking into account any other payments in the nature of compensation to which you would have a right to receive from the Company and any other person contingent upon the occurrence of a Change in Control, result in a "parachute payment" as defined under Code Section 280G. You agree to cooperate and execute any waivers of compensation as may be necessary to enable the Section 280G Approval vote to comply with the requirements specified under Code Section 280G and the regulations promulgated thereunder.

4. Term

Your Option will expire in all cases no later than the close of business at Company headquarters on the Expiration Date, as shown on the cover sheet. Your Option may expire earlier if your Service terminates, as described in Sections 5, 6 and 7 below or on the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or reorganization or similar transaction involving the Company.

5. Termination of Service - General

If, while the Option is outstanding, your Service terminates for any reason, other than being terminated by the Company for Cause or due to your death or Disability, then the unvested portion of your Option shall be forfeited without consideration

and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is ninety (90) days after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or reorganization or similar transaction involving the Company. In no event is the Option exercisable after the Expiration Date.

6. Termination of Service for Cause

If your Service is terminated by the Company for Cause or if you commit an act(s) of Cause while this Option is outstanding, as determined by the Committee in its sole discretion, then you shall immediately forfeit all rights to your Option without consideration, including any vested portion of the Option, and the entire Option shall immediately expire, and any rights, payments and benefits with respect to the Option shall be subject to reduction or recoupment in accordance with the Clawback Policy and the Plan. For avoidance of doubt, your Service shall also be deemed to have been terminated for Cause by the Company if, after your Service has otherwise terminated, facts and circumstances are discovered that would have justified a termination for Cause, including, without limitation, your violation of Company policies or breach of confidentiality or other restrictive covenants or conditions that may apply to you prior to or after your Termination Date.

7. Termination of Service due to Death or Disability

If your Service terminates because of your death or Disability, then the unvested portion of your Option shall be forfeited without consideration and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is six (6) months after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or similar transaction involving the Company. In no event is the Option exercisable after the

Expiration Date. If your Service terminated due to your death, then your estate may exercise the vested portion of your Option during the foregoing post-Service exercise period.

8. Leaves of Absence

For purposes of this Option, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by the Company in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting

is required by applicable law. For income tax purposes, if the period of leave exceeds three (3) months and your right to reemployment is not provided either by statute or by contract, then this Option will be treated as a Nonstatutory Stock Option if the exercise of this Option occurs after the expiration of six (6) months from the commencement of such leave of absence. Your Service terminates in any event when the approved leave ends unless you immediately return to active work.

The Company determines which leaves count for this purpose (along with determining the effect of a leave of absence on vesting of the Option), and when your Service terminates for all purposes under the Plan.

9. Notice of Exercise

When you wish to exercise this Option, you must notify the Company by filing a "Notice of Exercise" form at the address given on the form. Your notice must specify how many Shares you wish to purchase. Your notice must also specify how your Shares should be registered (in your name only or in your and your spouse's names as community property or as joint tenants with right of survivorship). The notice will be effective when it is received by the Company.

If someone else wants to exercise this Option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

10. Form of Payment

When you submit your notice of exercise, you must include payment of the Exercise Price for the Shares you are purchasing. Payment may be made in one (or a combination) of the following forms:

- Cash, your personal check, a cashier's check or a money order.
- Shares which have already been owned by you for more than six (6) months and which are surrendered to the Company. The Fair Market Value of the Shares, determined as of the effective date of the Option exercise, will be applied to the Exercise Price.
- To the extent a public market for the Shares exists as determined by the Company, by Cashless Exercise through delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.

11. Withholding Taxes

You will be solely responsible for payment of any and all applicable taxes associated with this Option.

You will not be allowed to exercise this Option unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the Option exercise or sale of Shares acquired under this Option.

12. Restrictions on Exercise and Resale

By signing this Agreement, you agree not to (i) exercise this Option ("Exercise Prohibition"), or (ii) sell, transfer, dispose of, pledge, hypothecate, make any short sale of, or otherwise effect a similar transaction of any Shares acquired under this Option (each a "Sale Prohibition") at a time when applicable laws, regulations or Company or underwriter trading policies prohibit the exercise or disposition of Shares. The Company will not permit you to exercise this Option if the issuance of Shares at that time would violate any law or regulation. The Company shall have the right to designate one or more periods of time, each of which generally will not exceed one hundred eighty (180) days in length (provided however, that such period may be extended in connection with the Company's release (or announcement of release) of earnings results or other material news or events), and to impose an Exercise Prohibition and/or Sale Prohibition, if the Company

determines (in its sole discretion) that such limitation(s) is needed in connection with a public offering of Shares or to comply with an underwriter's request or trading policy, or could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. The Company may issue stop/transfer instructions and/or appropriately legend any stock certificates issued pursuant to this Option in order to ensure compliance with the foregoing. Any such Exercise Prohibition shall not alter the vesting schedule set forth in this Agreement other than to limit the periods during which this Option shall be exercisable.

If the sale of Shares under the Plan is not registered under the Securities Act, but an exemption is available which requires an investment or other representation, you shall represent and agree at the time of exercise that the Shares being acquired upon exercise of this Option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make

such other representations as are deemed necessary or appropriate by the Company and its counsel.

You may also be required, as a condition of exercise of this Option, to enter into any Stockholders Agreement or other agreements that are applicable to stockholders.

If you sell or otherwise dispose of any of the Shares acquired pursuant to the exercise of this Option on or before the later of (i) the date that is two years after the Date of Option Grant or (ii) the date that is one year after the applicable exercise of this Option, then you shall within ten days of any and all such sales or dispositions provide the Company with written notice of such transactions including without limitation the date of each disposition, the number of Shares that you disposed of in each transaction and their original Date of Option Grant, and the amount of proceeds you received from each disposition.

13. The Company's Right of First Refusal

In the event that you propose to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the "Right of First Refusal" with respect to all (and not less than all) of such Shares. If you desire to transfer Shares acquired under this Agreement, you must give a written "Transfer Notice" to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price and the name and address of the proposed transferee.

The Transfer Notice shall be signed both by you and by the proposed new transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted in the next paragraph) by delivery of a notice of exercise of the Right of First Refusal within thirty (30) days after the date when the Transfer Notice was received by the Company. The Company's rights under this subsection shall be freely assignable, in whole or in part.

If the Company fails to exercise its Right of First Refusal within thirty (30) days after the date when it received the Transfer Notice, you may, not later than ninety (90) days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice. Any proposed transfer on terms and conditions different from those described

in the Transfer Notice, as well as any subsequent proposed transfer by you, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in the paragraph above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer

Notice within sixty (60) days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than lawful money paid at the time of transfer, the Company shall have the option of paying for the Shares with lawful money equal to the present value of the consideration described in the Transfer Notice.

The Company's Right of First Refusal shall inure to the benefit of its successors and assigns and shall be binding upon any transferee of the Shares.

The Company's Right of First Refusal shall terminate in the event that Shares are listed on an established stock exchange or are quoted regularly on the OTC Bulletin Board.

14. Right of Repurchase

Following your Termination Date after termination of your Service for any reason, the Company shall have the right to purchase all of those Shares that you have or will acquire under this Option. If the Company exercises its right to purchase such Shares, the purchase price shall be the Fair Market Value of those Shares on the date of purchase as determined by the Board of Directors and shall be paid in cash. The Company will notify you of its intention to purchase such Shares, and will consummate the purchase within any time period established by applicable law. The Company's right of repurchase shall inure to the benefit of its successors and assigns and shall be binding upon any transferee of the Shares. The Company's rights under this subsection shall be freely assignable, in whole or in part. The Company's right of repurchase shall terminate in the event that the Shares are listed on an established stock exchange or are quoted regularly on the OTC Bulletin Board.

15. Transfer of Option

Prior to your death, only you may exercise this Option. You cannot gift, transfer, assign, alienate, pledge, hypothecate, attach, sell, or encumber this Option or subject it to any short position, Call Equivalent Position or Put Equivalent Position. If you attempt to do any of these things, this Option will immediately become invalid. You may, however, dispose of this Option in your will or it may be transferred by the laws of descent and distribution. Regardless of any marital property

settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse's interest in your Option in any other way.

16. Retention Rights

Your Option or this Agreement does not give you the right to be retained by the Company (or any Parent or any Subsidiaries or Affiliates) in any capacity. The Company (or any Parent and any Subsidiaries or Affiliates) reserves the right to terminate your Service at any time and for any reason.

This Option and the Shares subject to the Option are not intended to constitute or replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

17. Stockholder Rights

You, or your estate, shall have no rights as a stockholder of the Company with regard to the Option until you have been issued the applicable Shares by the Company and have satisfied all other conditions specified in Section 4(f) of the Plan. No adjustment shall be made for cash or stock dividends or other rights for which the record date is prior to the date when such applicable Shares are issued, except as provided in the Plan.

18. Adjustments

In the event of a stock split, a stock dividend or a similar change in the Company stock, the number of Shares covered by this Option (rounded down to the nearest whole number) and the Exercise Price per Share may be adjusted pursuant to the Plan. Your Option shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

19. Legends

All certificates representing the Shares issued upon exercise of this Option may, where applicable, have endorsed thereon the following legends and any other legend the Company determines appropriate:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND OPTIONS TO PURCHASE SUCH

SHARES SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE."

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

20. Applicable Law This Agreement will be interpreted and enforced under the laws of the State of Delaware without reference to the conflicts of law provisions thereof.

21. Voluntary Participant You acknowledge that you are voluntarily participating in the Plan.

22. No Rights to Future Awards Your rights, if any, in respect of or in connection with this Option or any other Awards are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary future Award. By accepting this Option, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you or benefits in lieu of Options or any other Awards even if Awards have been granted repeatedly in the past. All decisions with respect to future Awards, if any, will be at the sole discretion of the Committee.

23. Future Value The future value of the underlying Shares is unknown and cannot be predicted with certainty. If the underlying Shares do not increase in value after the Date of Option Grant, the Option will have little or no value. If you exercise the Option and obtain Shares, the value of the Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price.

24. No Advice Regarding Grant The Company has not provided any tax, legal or financial advice, nor has the Company made any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

25. No Right to Damages You will have no right to bring a claim or to receive damages if any portion of the Option is cancelled or expires unexercised. The loss of existing or potential profit in the Option will not constitute an element of damages in the event of the termination of your Service for any reason, even if the termination is in violation of an obligation of the Company or a Parent or a Subsidiary or an Affiliate to you.

Additionally, you understand and agree that the Company will not be responsible for any adverse or unexpected tax consequences imposed by Code Sections 409A, 422 or 280G or any other law or regulation and that you will be solely responsible for any tax liability imposed on you as a result of this Agreement. Moreover, the Company makes no representation or covenant to ensure that this Option is exempt from Code Section 409A and will have no liability to you or any other party if this Option, as amended, is not so exempt from or compliant with Code Section 409A.

26. Data Privacy

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company holds certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Shares awarded, cancelled, purchased, exercised, vested, unvested or outstanding in your favor for the purpose of implementing, managing and administering the Plan ("Data"). You understand that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere and that the recipient country may have different data privacy laws and protections than your country. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom you may elect to deposit any Shares acquired under the Plan.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.

GRANT NO. _____

TRACON PHARMACEUTICALS, INC.
2011 EQUITY INCENTIVE PLAN

NONSTATUTORY STOCK OPTION AGREEMENT

The Company hereby grants an Option to purchase Shares to the Optionee named below. The terms and conditions of the Option are set forth in this cover sheet, in the attached Nonstatutory Stock Option Agreement and in the Tracon Pharmaceuticals, Inc. 2011 Equity Incentive Plan. This cover sheet is incorporated into and a part of the attached Nonstatutory Stock Option Agreement (together, the "Agreement").

Date of Option Grant: _____

Name of Optionee: _____

Number of Shares Covered by Option: _____

Exercise Price per Share: $_____.___

Fair Market Value of a Share on Date of Option Grant: $_____.___

Expiration Date: _____

Vesting Calculation Date: _____

Vesting Schedule:

Subject to all the terms of the Agreement and your continued Service, your right to purchase Shares under this Option shall vest as to one-fourth (1/4) of the total number of Shares covered by this Option, as shown above, on the first anniversary of the Vesting Calculation Date. Thereafter, the number of Shares which you may purchase under this Option shall vest at the rate of one-forty-eighth (1/48) of the total number of Shares covered by this Option per calendar month on the last day of each of the thirty-five (35) months following the month of the first anniversary of the Vesting Calculation Date and the final one-forty-eighth (1/48) of the total number of Shares covered by this Option shall vest on the fourth anniversary of the Vesting Calculation Date. In all cases, the resulting aggregate number of vested Shares will be rounded down to the nearest whole number. No Shares subject to this Option will vest after your Service has terminated for any reason.

By signing this cover sheet, you agree to all of the terms and conditions described in the Agreement and in the Plan. You are also acknowledging receipt of this Agreement and a copy of the Plan, a copy of which is also enclosed.

Optionee: _____
(Signature)

Company: _____
(Signature)

Title: _____

Attachment

TRACON PHARMACEUTICALS, INC.
2011 EQUITY INCENTIVE PLAN

NONSTATUTORY STOCK OPTION AGREEMENT

1.	**The Plan and Other Agreements**	The text of the Plan is incorporated in this Agreement by reference. Certain capitalized terms used in this Agreement are defined in the Plan. This Agreement and the Plan constitute the entire understanding between you and the Company regarding this Option. Any prior agreements, commitments or negotiations concerning this Option are superseded.
2.	**Nonstatutory Stock Option**	This Option is not intended to be an Incentive Stock Option under section 422 of the Code and will be interpreted accordingly. This Option is not intended to be deferred compensation under section 409A of the Code and will be interpreted accordingly.
3.	**Vesting**	This Option is only exercisable before it expires and only with respect to the vested portion of the Option. This Option will vest according to the Vesting Schedule described in the cover sheet of this Agreement.
4.	**Term**	Your Option will expire in all cases no later than the close of business at Company headquarters on the Expiration Date, as shown on the cover sheet. Your Option may expire earlier if your Service terminates, as described in Sections 5, 6 and 7 below or on the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or reorganization or similar transaction involving the Company.
5.	**Termination of Service - General**	If, while the Option is outstanding, your Service terminates for any reason, other than being terminated by the Company for Cause or due to your death or Disability, then the unvested portion of your Option shall be forfeited without consideration and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is ninety (90) days after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or reorganization or similar transaction involving the Company. In no event is the Option exercisable after the Expiration Date.
6.	**Termination of**	If your Service is terminated by the Company for Cause or if you

	Service for Cause	commit an act(s) of Cause while this Option is outstanding, as determined by the Committee in its sole discretion, then you shall immediately forfeit all rights to your Option without consideration, including any vested portion of the Option, and the entire Option shall immediately expire, and any rights, payments and benefits with respect to the Option shall be subject to reduction or recoupment in accordance with the Clawback Policy and the Plan. For avoidance of doubt, your Service shall also be deemed to have been terminated for Cause by the Company if, after your Service has otherwise terminated, facts and circumstances are discovered that would have justified a termination for Cause, including, without limitation, your violation of Company policies or breach of confidentiality or other restrictive covenants or conditions that may apply to you prior to or after your Termination Date.

7. Termination of Service due to Death or Disability

If your Service terminates because of your death or Disability, then the unvested portion of your Option shall be forfeited without consideration and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is six (6) months after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or similar transaction involving the Company. In no event is the Option exercisable after the Expiration Date. If your Service terminated due to your death, then your estate may exercise the vested portion of your Option during the foregoing post-Service exercise period.

8. Leaves of Absence

For purposes of this Option, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by the Company in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. Your Service terminates in any event when the approved leave ends unless you immediately return to active work.

The Company determines which leaves count for this purpose (along with determining the effect of a leave of absence on vesting of the Option), and when your Service terminates for all purposes under the Plan.

9. Notice of Exercise

When you wish to exercise this Option, you must notify the Company by filing a "Notice of Exercise" form at the address given on the form. Your notice must specify how many Shares you wish to purchase. Your notice must also specify how your

Shares should be registered (in your name only or in your and your spouse's names as community property or as joint tenants with right of survivorship). The notice will be effective when it is received by the Company.

If someone else wants to exercise this Option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

10. Form of Payment

When you submit your notice of exercise, you must include payment of the Exercise Price for the Shares you are purchasing. Payment may be made in one (or a combination) of the following forms:

- Cash, your personal check, a cashier's check or a money order.
- Shares which have already been owned by you for more than six (6) months and which are surrendered to the Company. The Fair Market Value of the Shares, determined as of the effective date of the Option exercise, will be applied to the Exercise Price.
- To the extent a public market for the Shares exists as determined by the Company, by Cashless Exercise through delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.

11. Withholding Taxes

You will be solely responsible for payment of any and all applicable taxes associated with this Option.

You will not be allowed to exercise this Option unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the Option exercise or sale of Shares acquired under this Option.

12. Restrictions on Exercise and Resale

By signing this Agreement, you agree not to (i) exercise this Option ("Exercise Prohibition"), or (ii) sell, transfer, dispose of, pledge, hypothecate, make any short sale of, or otherwise effect a similar transaction of any Shares acquired under this Option (each a "Sale Prohibition") at a time when applicable laws, regulations or Company or underwriter trading policies prohibit the exercise or disposition of Shares. The Company will not permit you to exercise this Option if the issuance of Shares at that time would violate any law or regulation. The Company shall have the right to designate one or more periods of time, each of which generally will not exceed one hundred eighty (180) days in length (provided

however, that such period may be extended in connection with the Company's release (or announcement of release) of earnings results or other material news or events), and to impose an Exercise Prohibition and/or Sale Prohibition, if the Company determines (in its sole discretion) that such limitation(s) is needed in connection with a public offering of Shares or to comply with an underwriter's request or trading policy, or could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. The Company may issue stop/transfer instructions and/or appropriately legend any stock certificates issued pursuant to this Option in order to ensure compliance with the foregoing. Any such Exercise Prohibition shall not alter the vesting schedule set forth in this Agreement other than to limit the periods during which this Option shall be exercisable.

If the sale of Shares under the Plan is not registered under the Securities Act, but an exemption is available which requires an investment or other representation, you shall represent and agree at the time of exercise that the Shares being acquired upon exercise of this Option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

You may also be required, as a condition of exercise of this Option, to enter into any Stockholders Agreement or other agreements that are applicable to stockholders.

13. The Company's Right of First Refusal

In the event that you propose to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the "Right of First Refusal" with respect to all (and not less than all) of such Shares. If you desire to transfer Shares acquired under this Agreement, you must give a written "Transfer Notice" to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price and the name and address of the proposed transferee.

The Transfer Notice shall be signed both by you and by the proposed new transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The

Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted in the next paragraph) by delivery of a notice of exercise of the Right of First Refusal within thirty (30) days after the date when the Transfer Notice was received by the Company. The Company's rights under this subsection shall be freely assignable, in whole or in part.

If the Company fails to exercise its Right of First Refusal within thirty (30) days after the date when it received the Transfer Notice, you may, not later than ninety (90) days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by you, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in the paragraph above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within sixty (60) days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than lawful money paid at the time of transfer, the Company shall have the option of paying for the Shares with lawful money equal to the present value of the consideration described in the Transfer Notice.

The Company's Right of First Refusal shall inure to the benefit of its successors and assigns and shall be binding upon any transferee of the Shares.

The Company's Right of First Refusal shall terminate in the event that Shares are listed on an established stock exchange or are quoted regularly on the OTC Bulletin Board.

14. Right of Repurchase

Following your Termination Date after termination of your Service for any reason, the Company shall have the right to purchase all of those Shares that you have or will acquire under this Option. If the Company exercises its right to purchase such Shares, the purchase price shall be the Fair Market Value of those Shares on the date of purchase as determined by the Board of Directors and shall be paid in cash. The Company will notify you of its intention to purchase such Shares, and will consummate the purchase within any time period established by applicable law.

The Company's right of repurchase shall inure to the benefit of its successors and assigns and shall be binding upon any transferee of the Shares. The Company's rights under this subsection shall be freely assignable, in whole or in part. The Company's right of repurchase shall terminate in the event that the Shares are listed on an established stock exchange or are quoted regularly on the OTC Bulletin Board.

15. Transfer of Option

Prior to your death, only you may exercise this Option. You cannot gift, transfer, assign, alienate, pledge, hypothecate, attach, sell, or encumber this Option or subject it to any short position, Call Equivalent Position or Put Equivalent Position. If you attempt to do any of these things, this Option will immediately become invalid. You may, however, dispose of this Option in your will or it may be transferred by the laws of descent and distribution. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse's interest in your Option in any other way.

16. Retention Rights

Your Option or this Agreement does not give you the right to be retained by the Company (or any Parent or any Subsidiaries or Affiliates) in any capacity. The Company (or any Parent and any Subsidiaries or Affiliates) reserves the right to terminate your Service at any time and for any reason.

This Option and the Shares subject to the Option are not intended to constitute or replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

17. Stockholder Rights

You, or your estate, shall have no rights as a stockholder of the Company with regard to the Option until you have been issued the applicable Shares by the Company and have satisfied all other conditions specified in Section 4(f) of the Plan. No adjustment shall be made for cash or stock dividends or other rights for which the record date is prior to the date when such applicable Shares are issued, except as provided in the Plan.

18. Adjustments

In the event of a stock split, a stock dividend or a similar change in the Company stock, the number of Shares covered by this Option (rounded down to the nearest whole number) and the Exercise Price per Share may be adjusted pursuant to the Plan. Your Option shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

19. Legends

All certificates representing the Shares issued upon exercise of this Option may, where applicable, have endorsed thereon the following legends and any other legend the Company determines appropriate:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND OPTIONS TO PURCHASE SUCH SHARES SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE

SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE."

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

20. Applicable Law This Agreement will be interpreted and enforced under the laws of the State of Delaware without reference to the conflicts of law provisions thereof.

21. Voluntary Participant You acknowledge that you are voluntarily participating in the Plan.

22. No Rights to Future Awards Your rights, if any, in respect of or in connection with this Option or any other Awards are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary future Award. By accepting this Option, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you or benefits in lieu of Options or any other Awards even if Awards have been granted repeatedly in the past. All decisions with respect to future Awards, if any, will be at the sole discretion of the Committee.

23. Future Value The future value of the underlying Shares is unknown and cannot be predicted with certainty. If the underlying Shares do not increase in value after the Date of Option Grant, the Option will have little or no value. If you exercise the Option and obtain Shares, the value of the Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price.

24. No Advice Regarding Grant The Company has not provided any tax, legal or financial advice, nor has the Company made any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

25. No Right to Damages You will have no right to bring a claim or to receive damages if any portion of the Option is cancelled or expires unexercised. The loss of existing or potential profit in the Option will not constitute an element of damages in the event of the termination of your Service for any reason, even if the termination is in violation of an obligation of the Company or a Parent or a Subsidiary or an Affiliate to you.

Additionally, you understand and agree that the Company will not be responsible for any adverse or unexpected tax consequences imposed by Code Sections 409A, 422 or 280G or any other law or regulation and that you will be solely responsible for any tax liability imposed on you as a result of this Agreement. Moreover, the Company makes no representation or covenant to ensure that this Option is exempt from Code Section 409A and will have no liability to you or any other party if this Option, as amended, is not so exempt from or compliant with Code Section 409A.

26. Data Privacy You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company holds certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Shares awarded, cancelled, purchased, exercised, vested, unvested or outstanding in your favor for the purpose of implementing, managing and administering the Plan ("Data"). You understand that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere and that the recipient country may have different data privacy laws and protections than

your country. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom you may elect to deposit any Shares acquired under the Plan.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.

TRACON PHARMACEUTICALS, INC.
NOTICE OF EXERCISE OF INCENTIVE STOCK OPTION BY OPTIONEE

Tracon Pharmaceuticals, Inc.
8910 University Center Dr., Suite 700
San Diego, CA 92122
Attention: Secretary

Re: Exercise of Incentive Stock Option to Purchase Shares of Company Stock

_____
[PRINT NAME OF OPTIONEE]

Pursuant to the Incentive Stock Option Agreement dated _____, _____ between Tracon Pharmaceuticals, Inc., a Delaware corporation, (the "Company") and me, made pursuant to the 2011Equity Incentive Plan (the "Plan"), I hereby request to purchase _____ Shares (whole number only and must be not less than twenty-five Shares or the remaining number of vested Shares subject to this Option) of common stock of the Company (the "Shares"), at the exercise price of $_____ per Share. I am hereby making full payment of the aggregate exercise price by one or more of the following forms of payment in accordance with the whole number percentages that I have provided below. I further understand and agree that I will timely satisfy any and all applicable tax withholding obligations as a condition of this Option exercise.

Percentage of Payment	Form of Payment As Provided In the Incentive Stock Option Agreement
_____%	Cash/My Personal Check/Cashier's Check/Money Order (payable to "Tracon Pharmaceuticals, Inc.")
_____%	Surrender of vested Shares (Valued At Their Fair Market Value) Owned
100%	By Me For More Than Six (6) Months

Check one: o The Shares certificate is to be issued and registered in my name only.

o The Shares certificate is to be issued and registered in my name and my spouse's name.

_____
[PRINT SPOUSE'S NAME, IF CHECKING SECOND BOX]

Check one (if checked second box above):

o Community Property ***or*** o Joint Tenants With Right of Survivorship

I acknowledge that I have received, understand and continue to be bound by all of the terms and conditions set forth in the Plan and in the Incentive Stock Option Agreement.

Dated: _____

_____ _____
(Optionee's Signature) (Spouse's Signature)**

**Spouse must sign this Notice of Exercise if listed above.

_____ _____

_____ _____
(Full Address) (Full Address)

***THIS NOTICE OF EXERCISE MAY BE REVISED BY THE COMPANY AT ANY TIME WITHOUT NOTICE.**

TRACON PHARMACEUTICALS, INC.
NOTICE OF EXERCISE OF NONSTATUTORY STOCK OPTION BY OPTIONEE

Tracon Pharmaceuticals, Inc.
8910 University Center Dr., Suite 700
San Diego, CA 92122
Attention: Secretary

Re: Exercise of Nonstatutory Stock Option to Purchase Shares of Company Stock

_____

[PRINT NAME OF OPTIONEE]

Pursuant to the Nonstatutory Stock Option Agreement dated _____, _____ between Tracon Pharmaceuticals, Inc., a Delaware corporation, (the "Company") and me, made pursuant to the 2011 Equity Incentive Plan (the "Plan"), I hereby request to purchase _____ Shares (whole number only and must be not less than twenty-five Shares or the remaining number of vested Shares subject to this Option) of common stock of the Company (the "Shares"), at the exercise price of $_____ per Share. I am hereby making full payment of the aggregate exercise price by one or more of the following forms of payment in accordance with the whole number percentages that I have provided below. I further understand and agree that I will timely satisfy any and all applicable tax withholding obligations as a condition of this Option exercise.

Percentage of Payment	Form of Payment As Provided In the Nonstatutory Stock Option Agreement
_____%	Cash/My Personal Check/Cashier's Check/Money Order (payable to "Tracon Pharmaceuticals, Inc.")
_____%	Surrender of vested Shares (Valued At Their Fair Market Value) Owned
100%	By Me For More Than Six (6) Months

Check one: ☐ The Shares certificate is to be issued and registered in my name only.

☐ The Shares certificate is to be issued and registered in my name and my spouse's name.

_____

[PRINT SPOUSE'S NAME, IF CHECKING SECOND BOX]

Check one (if checked second box above):

☐ Community Property ***or*** ☐ Joint Tenants With Right of Survivorship

I acknowledge that I have received, understand and continue to be bound by all of the terms and conditions set forth in the Plan and in the Nonstatutory Stock Option Agreement.

Dated: _____

_____ _____

(Optionee's Signature) (Spouse's Signature)**

**Spouse must sign this Notice of Exercise if listed above.

_____ _____

_____ _____

(Full Address) (Full Address)

***THIS NOTICE OF EXERCISE MAY BE REVISED BY THE COMPANY AT ANY TIME WITHOUT NOTICE.**

Exhibit 10.5

CONFIDENTIAL

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Agreement (this "**Agreement**"), dated as of May 7, 2014 by and between TRACON PHARMACEUTICALS, INC., a Delaware corporation with principal executive offices at 8910 University Center Drive, Suite 700, San Diego, California (the "**Company**") and CHARLES P. THEUER whose mailing address is P.O. Box 90729, San Diego, California 92169 (the "**Executive**").

W I T N E S S E T H:

WHEREAS, the Company and Executive previously entered an Employment Agreement dated as of July 17, 2009 (the "**Original Employment Agreement**") relating to Executive's employment as the Company's President and Chief Executive Officer;

WHEREAS, in connection with the Company's preferred stock financing pursuant to that certain Series A Preferred Stock Purchase Agreement dated March 28, 2011, the Company and Executive entered into an Amendment to the Original Employment Agreement, which was effective as of June 21, 2011;

WHEREAS, the Company and Executive entered into an Amended and Restated Employment Agreement dated April 23, 2012 relating to Executive's employment as the Company's President and Chief Operating Officer;

WHEREAS, the Company and Executive entered into an Amended and Restated Employment Agreement dated April 23, 2013 (the "**Previous Restated Employment Agreement**") relating to Executive's employment as the Company's President and Chief Executive Officer;

WHEREAS, the Company desires to continue to employ the Executive as the Company's President and Chief Executive Officer, and the Executive desires to continue to serve the Company in this capacity upon the terms and subject to the conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. Employment.

(a) Services. The Executive will be employed by the Company as its President and Chief Executive Officer and will report to the Board of Directors of the Company (the "**Board**"). Executive shall perform such duties as are consistent with his position as President and Chief Executive Officer (the "**Services**"). The Executive agrees to perform such duties faithfully, to devote all of his working time, attention and energies to the business of the Company, and while he remains employed, not to engage in any other business activity that is in conflict with his duties and obligations to the Company.

(b) Acceptance. The Executive hereby accepts such employment and agrees to render the Services.

CONFIDENTIAL

2. Term. The Executive's employment under this Agreement (the "**Term**") shall commence on January 1, 2014 (the "**Commencement Date**") and shall continue for a term of one (1) year, unless sooner terminated pursuant to Section 8 of this Agreement. Except as specifically provided otherwise the provisions of this Agreement specified in Sections 5, 6, 9, and 10 shall survive the expiration or termination hereof. This Agreement may be renewed for an additional one (1) year term if the company and the Executive agree in writing at least six (6) months prior to the expiration or other termination of the Term.

3. Best Efforts: Place of Performance.

(a) The Executive shall devote substantially all of his business time, attention and energies to the business and affairs of the Company and shall use his best efforts to advance the best interests of the Company and shall not during the Term be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage, that will interfere with the performance by the Executive of his duties hereunder or the Executive's availability to perform such duties or that will adversely affect, or negatively reflect upon, the Company, except as set forth above in Section 1(a).

(b) The duties to be performed by the Executive hereunder shall be performed primarily at the office of the Company in San Diego, California, subject to reasonable travel requirements on behalf of the Company, or such other place as the Board may reasonably designate. Notwithstanding the foregoing, the Executive's primary place of business may not be relocated to another city without his written consent.

(c) The Company shall use its best efforts to cause the Executive to be elected as a member of its Board throughout the Term and shall include him in the management slate for election as a director at every stockholders meeting during the Term at which his term as a director would otherwise expire. The Executive agrees to accept election, and to serve during the Term, as director of the Company, without any compensation therefore other than as specified in this Agreement.

4. Compensation. As full compensation for the performance by the Executive of his duties under this Agreement, during the Term, the Company shall pay the Executive as follows:

(a) Base Salary. The Company shall pay the Executive an annual salary (the "**Base Salary**") of Three Hundred Ninety-five Thousand Dollars ($395,000). Payment shall be made in accordance with the Company's normal payroll practices.

(b) Bonus. During each fiscal year of the Term and including for the fiscal year ending December 31, 2014, the Executive shall be eligible to earn an annual cash performance bonus (a "**Performance Bonus**") of up to fifty percent (50%) of the Executive's Base Salary. The Executive's actual bonus for fiscal year 2014 and any fiscal year thereafter, if any, shall be based upon the successful attainment by the Executive of certain financial, clinical development and financial milestones (the "**Milestones**"), to be approved annually by the Board (or a committee thereof), after receipt and review of proposed Milestones from the Executive and any revisions deemed appropriate by the Board, acting in good faith. The proposed Milestones for each year during the Term shall be delivered by the Executive to the Board at least sixty (60)

days prior to the beginning of each such fiscal year. The determination of whether the Milestones have been achieved in any given year shall be made in the sole discretion of the Board. The Performance Bonus shall be paid to Executive no later than the 15th day of the third month immediately following the fiscal year with respect to which the Performance Bonus relates. To earn any Performance Bonus, the Executive must remain employed by the Company through the end of the fiscal year(s) with respect to which the Performance Bonus relates. Any Performance Bonus that is earned shall be payable in cash in a lump sum payment or in installments as determined by the Board in its sole discretion, provided, however, that all payments of the Performance Bonus shall be made on or before the deadline required for short-term deferrals pursuant to Treasury Regulation ("**Treas. Reg.**") § 1.409A-1(b)(4).

(c) Withholding. The Company shall withhold all applicable federal, state and local taxes and social security and such other amounts as may be required by law from all amounts payable to the Executive under this Section 4.

(d) Expenses. The Company shall reimburse the Executive for all normal, usual and necessary expenses incurred by the Executive in furtherance of the business and affairs of the Company, including reasonable travel and entertainment, upon timely receipt by the Company of appropriate vouchers or other proof of the Executive's expenditures and otherwise in accordance with any expense reimbursement policy as may from time to time be adopted by the Company. If any such expense is included in the taxable income of the Executive, reimbursement shall be made in accordance with Treas. Reg. § 1.409A-3(i)(1)(iv).

(e) Other Benefits. The Executive shall be entitled to all rights and benefits for which he shall be eligible under any benefit or other plans (including, without limitation, dental, medical, medical reimbursement and hospital plans, pension plans, employee stock purchase plans, profit sharing plans, bonus plans, prescription drug reimbursement plans, short and long term disability plans, life insurance and other so-called "fringe" benefits) as the Company shall make available to its senior executives from time to time. Subject to approval by the Board of Directors, the Company shall continue to provide at a minimum the benefits currently offered to the Executive.

(f) Vacation. The Executive shall be entitled to a vacation of four (4) non-consecutive weeks per annum, in addition to holidays observed by the Company. The Executive shall be entitled to carry forward unused vacation from one year of employment to the next year of employment up to a maximum of 60 days of accrued vacation at any time (the "**Maximum Accrual**"). At the end of the Term, the Executive shall receive compensation for all then accrued and unused vacation days up to the Maximum Accrual.

(g) Company Breach. In the event that the Company breaches in any material respect its obligations in Sections 4(a), (b), (d), (e) or (f) (and in the case of a breach of Section 4(d), (e) or (f) such breach is not cured within thirty (30) days after notice thereof is given to the Company by the Executive), then, in addition to damages or any other rights which the Executive may have at law or equity under this Agreement, the Company agrees that Executive shall be relieved of all obligations imposed on him under Section 6(a) and (c).

5. Confidential Information and Inventions.

(a) The Executive recognizes and acknowledges that in the course of his duties he is likely to receive confidential or proprietary information of the Company, its affiliates or third parties with whom the Company or any such affiliates has an obligation

of confidentiality. Accordingly, during and after the Term, the Executive agrees to keep confidential and not disclose or make accessible to any other person or use for any other purpose other than in connection with the fulfillment of his duties under this Agreement, any Confidential and Proprietary Information owned by, or received by or on behalf of the Company or any affiliate which have been disclosed to the Executive on or before the date of termination. "**Confidential and Proprietary Information**" shall include, but shall not be limited to, confidential or proprietary scientific or technical information, data, formulas and related concepts, business plans (both current and under development), client lists, promotion and marketing programs, trade secrets, or any other confidential or proprietary business information relating to development programs, costs, revenues, marketing, investments, sales activities, promotions, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of the Company or of any affiliate or client of the Company. The Executive expressly acknowledges that the Confidential and Proprietary Information constitutes a protectable business interest of the Company. The Executive agrees: (i) not to use any such Confidential and Proprietary Information for himself or others; and (ii) not to take any Company material or reproductions (including but not limited to writings, correspondence, notes, drafts, records, invoices, technical and business policies, computer programs or disks) thereof from the Company's offices at any time during his employment by the Company, except as required in the execution of the Executive's duties to the Company. The Executive agrees to return immediately all Company material and reproductions (including but not limited, to writings, correspondence, notes, drafts, records, invoices, technical and business policies, computer programs or disks) thereof in his possession to the Company upon request and in any event immediately upon termination of employment.

(b) Except with prior written authorization by the Company, the Executive agrees for a period of five (5) years from the termination of his employment with the Company not to disclose or publish:

(i) any of the Confidential and Proprietary Information; or

(ii) any confidential, scientific, technical or business information of any other party disclosed to the Executive during his employment with the Company to whom the Company or any affiliate owes an obligation of confidence.

(c) The Executive agrees that all inventions, discoveries, improvements, or other work product, whether or not patentable or copyrightable ("**Inventions**") initiated, conceived, reduced to practice, or made by him, either alone or in conjunction with others, during the Term shall be the sole property of the Company to the maximum extent permitted by applicable law and, to the extent permitted by law, shall be "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C.A., Section 101). The Company shall be the sole owner of all patents, copyrights, trade secret rights, and other intellectual property or other rights in connection therewith. The Executive hereby assigns to the Company all right, title and interest he may have or acquire in all such Inventions; provided, however, that the Board may in its sole discretion agree to waive the Company's rights pursuant to this

Section 5(c) with respect to any Invention that is not directly or indirectly related to the Company's business. The Executive further agrees to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights or other rights on such Inventions in any and all countries, and to that end the Executive will execute all documents necessary:

(i) to apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) letters patent, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and

(ii) to defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other analogous protection.

(d) The Executive acknowledges that while performing the Services, the Executive may locate, identify and/or evaluate patented or patentable inventions having commercial potential in the fields of pharmacy, pharmaceutical, biotechnology, healthcare, technology and other fields which may be of potential interest to the Company or one of its affiliates (the "**Third Party Inventions**"). The Executive understands, acknowledges and agrees that all rights to, interests in or opportunities regarding, all Third-Party Inventions identified by the Company, any affiliate or either of the foregoing persons' officers, directors, employees (including the Executive), agents or consultants during the Term shall be and remain the sole and exclusive property of the Company or such affiliate and the Executive shall have no rights whatsoever to such Third-Party Inventions and will not pursue for himself or for others any transaction relating to the Third-Party Inventions which is not on behalf of the Company unless the Company has expressly abandoned its interest in such Third Party Inventions in writing.

(e) The Executive agrees that he will promptly disclose to the Company all Inventions initiated, made or conceived or reduced to practice, either alone or jointly with others, during the Term.

(f) The provisions of this Section 5 shall survive any termination of this Agreement.

6. Non-Solicitation and Non-Disparagement.

(a) During the Term and the Termination Benefits Period (as defined hereinafter), the Executive shall not, directly or indirectly, without the prior written consent of the Company:

(i) solicit or induce any employee of the Company or any affiliate to leave the employ of the Company or any such affiliate; or hire for any purpose any employee of the Company or any affiliate; or hire any former employee who has left the employment of the Company or any affiliate within twelve (12) months of the termination of such employee's employment with the Company or any such affiliate; or hire any former employee of the Company in violation of such employee's non-competition agreement with the Company or any such affiliate; or

(ii) solicit or accept the business of any agent, client or customer of the Company or any affiliate with respect to products, services or investments similar to those provided or supplied by the Company or any affiliate.

(b) The Company and the Executive each agree that both during the Term and for a period of three (3) years thereafter, neither party shall directly or indirectly disparage, whether or not true, the name or reputation of the other party or any affiliate including but not limited to any officer, director, employee or shareholder of the Company or any affiliate. Notwithstanding this Section, nothing contained herein shall limit or impair the ability of the Executive to provide truthful testimony in response to any validly issued subpoena.

(c) In the event that the Executive breaches any provisions of Section 5 or this Section 6 or there is a threatened breach, then, in addition to any other rights which the Company may have, the Company shall be entitled to seek injunctive relief to enforce the restrictions contained in such Section 6. The Company and the Executive agree that any such action for injunctive or equitable relief shall be heard in a state or federal court situated in or for the County of San Diego, California and each of the parties hereto agrees to accept service of process by registered or certified mail and to otherwise consent to the jurisdiction of such courts.

(d) Each of the rights and remedies enumerated in Section 6(c) shall be independent of the others and shall be in addition to and not in lieu of any other rights and remedies available to the Company at law or in equity. If any of the covenants contained in this Section 6, or any part of any of them, is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants or rights or remedies which shall be given full effect without regard to the invalid portions. If any of the covenants contained in this Section 6 is held to be invalid or unenforceable because of the duration at such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and in its reduced form such provision shall then be enforceable.

(e) The provisions of this Section 6 shall survive any termination of this Agreement.

7. Representations and Warranties. The Executive hereby represents and warrants to the company as follows:

(a) Neither the execution or delivery of this Agreement nor the performance by the Executive of his duties and other obligations hereunder violate or will violate any statute, law, determination or award, or conflict with or constitute a default or breach of any covenant or obligation under (whether immediately, upon the giving of notice or lapse of time or both) any prior employment agreement, contract, or other instrument to which the Executive is a party or by which he is bound.

(b) The Executive has the full right, power and legal capacity to enter and deliver this Agreement and to perform his duties and other obligations hereunder. This Agreement constitutes the legal, valid and binding obligation of the Executive enforceable against him in accordance with its terms. No approvals or consents of any persons or entities are

required for the Executive to execute and deliver this Agreement or perform his duties and other obligations hereunder.

8. Termination. The Executive's employment hereunder shall be terminated upon the Executive's death and may be terminated as follows:

(a) The Executive's employment hereunder may be terminated by the Board for Cause. Any of the following actions by the Executive shall constitute "**Cause**":

(i) The willful failure, disregard or refusal by the Executive to perform his material duties or obligations under this Agreement, following written notice from the Board specifying the material duty or obligation at issue and upon the Executive's failure to perform the material duty or obligation within ten days thereafter;

(ii) Any willful, intentional or grossly negligent act by the Executive having the effect of materially injuring (whether financial or otherwise and as determined in good-faith by a majority of the members of the Board) the business or reputation of the Company;

(iii) Willful insubordination with respect to lawful directions received by the Executive from the Board, following written notice from the Board specifying the insubordination at issue and upon the Executive's failure to remedy the insubordination within ten days thereafter;

(iv) The Executive's conviction of any felony involving moral turpitude (including entry of a nolo contendere plea);

(v) The determination by the Company, after a reasonable and good-faith investigation by the Company following a written allegation by another employee of the Company, that the Executive engaged in some form of harassment prohibited by law (including, without limitation, age, sex or race discrimination), unless the Executive's actions were specifically directed by the Board;

(vi) Any material misappropriation or embezzlement of the property of the Company or its affiliates (whether or not a misdemeanor or felony);

(vii) Breach by the Executive of any material provision of this Agreement, which is not cured by the Executive within thirty (30) days after notice thereof is given to the Executive by the Board.

(b) The Executive's employment hereunder may be terminated by the Board due to the Executive's Disability. For purposes of this Agreement, a termination for "**Disability**" shall occur (i) when the Board has provided a written termination notice to the Executive supported by a written statement from a reputable independent physician to the effect that the Executive shall have become so physically or mentally incapacitated as to be unable to resume, within the ensuing six (6) months, his employment under this Agreement by reason of physical or mental illness or injury or (ii) upon rendering of a written termination notice by the Board after the Executive has been unable to substantially perform his duties hereunder for 60 or more

consecutive days, or more than 120 days in any consecutive twelve month period, by reason of any physical or mental illness or injury. For purposes of this Section 8(b), the Executive agrees to make himself available and to cooperate in a reasonable examination by a reputable independent physician retained by the Company.

(c) The Executive's employment hereunder may be terminated by the Board (or its successor) upon the occurrence of a Change of Control. For purposes of this Agreement, "**Change of Control**" means (i) the acquisition, directly or indirectly, following the date hereof by any person (as such term is defined in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), in one transaction or a series of related transactions, of securities of the Company representing in excess of fifty percent (50%) or more of the combined voting power of the Company's then outstanding Securities if such person or his or its affiliate(s) do not own in excess of 50% of such voting power on the date of this Agreement, or (ii) the future disposition by the Company (whether direct or indirect, by sale of assets or stock, merger, consolidation or otherwise) of all or substantially all of its business and/or assets in one transaction or series of related transactions (other than a merger effected exclusively for the purpose of changing the domicile of the Company).

(d) The Executive's employment hereunder may be terminated by the Executive for Good Reason. For purposes of this Agreement, "**Good Reason**" shall mean:

(i) any material breach of this Agreement by the Company;

(ii) without the Executive's express written consent, any material reduction by the Company of the Executive's duties, responsibilities, or authority as President and Chief Executive Officer of the Company which causes his position with the company to become of less responsibility or authority than his position as of immediately following the Commencement Date;

(iii) a relocation of the Company's principal place of business of the Executive outside of the San Diego metropolitan area without the Executive's written consent; or

(iv) without the Executive's express written consent, any material reduction in the benefits currently offered to the Executive pursuant to Section 4(e).

In order for a resignation to qualify as for "Good Reason," the Executive must provide the Company with written notice that reasonably identifies the acts or omissions constituting the grounds for Good Reason within sixty (60) days after Executive obtains knowledge of the occurrence of an event described in (i) through (iv) above, and the Company must have failed to cure such Good Reason condition within forty-five (45) days following the Company's receipt of Executive's written notice; and, provided further, that the Executive's resignation on account of Good Reason must occur within one hundred twenty (120) days following the initial occurrence of the Good Reason condition.

(e) The Executive's employment may be terminated by the Company for any reason or no reason.

9. Compensation upon Termination.

(a) If the Executive's employment is terminated as a result of his death, the Company shall pay to the Executive's estate (i) his Base Salary in accordance with the Company's regular payroll schedule owed the Executive through the date which is twelve (12) months after his death and (ii) any expenses reimbursement amounts owed the Executive through the date of his death. Additionally, Executive's then outstanding unvested time-based Company stock option awards shall become incrementally vested on an accelerated basis as if Executive's termination date occurred six (6) months later.

If the Executive's employment is terminated as a result of his Disability, the Company shall pay to the Executive any expenses reimbursement amounts owed the Executive through the date of his Disability. Additionally, Executive's then outstanding unvested time-based Company stock option awards shall become incrementally vested on an accelerated basis as if Executive's termination date occurred six (6) months later.

(b) If the Executive's employment is terminated by the Board for Cause, then the Company shall pay to the Executive his Base Salary and any expense reimbursement amounts owed the Executive, as of the date of Executive's termination of employment. The Executive shall have no further entitlement hereunder to any other compensation or benefits from the Company, except to the extent otherwise provided by law.

(c) If the Executive's employment is terminated (i) at the expiration of the Term without either (A) an offer by the Company to renew Executive's employment pursuant to an employment agreement on terms and conditions that are either the same (except with respect to Section 4(d), which shall no longer apply) or better than as set forth in this Agreement or (B) renewal of Executive's employment pursuant to a new employment agreement executed by Executive and the Company, or (ii) by the Executive for Good Reason, or (iii) by the Company other than for reasons specified in Sections 8(a) or 8(b), then: (A) the Company shall continue to pay in accordance with the Company's regular payroll schedule Executive's Base Salary for a period of twelve (12) months following the termination of Executive's employment; (B) the Company shall pay the cost (to the same extent that the Company was doing so immediately before Executive's termination date) for the employee benefit coverage continuation under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") for the lesser of: (x) a period of twelve (12) months following the termination of Executive's employment, or (y) Executive becomes eligible for group insurance benefits from another employer, provided that Executive timely elects COBRA coverage ("**COBRA Benefits**"); (C) the Company shall pay any expenses reimbursement amounts owed the Executive through the date of his termination; and (D) Executive's then outstanding unvested time-based Company stock option awards shall become automatically vested as of the termination date.

(d) Executive agrees (i) at any time either before or during the period of time he is receiving COBRA Benefits under subsection (B) to Section 9(c), to inform the Company promptly in writing if Executive becomes eligible to receive group health coverage from another employer; and (ii) that Executive may not increase the number of his designated dependents, if any, during this time unless Executive is permitted to do so under COBRA and does so at his own expense. The period of such COBRA Benefits shall be considered part of Executive's COBRA coverage entitlement period.

(e) Notwithstanding anything to the contrary, in order to receive any payments or benefits under Section 9(a) or Section 9(c) as applicable, Executive or Executive's estate, as applicable, must timely execute and deliver (and not revoke) a separation agreement and general release of claims (the "**Release**") in favor of the Company, any affiliates or related entities, and their employees and affiliates, in the form and content provided by the Company, within the time period specified in the Release, but in no event after the 60th day following Executive's termination date; provided, however, that if the salary continuation benefit is triggered under Section 9(a) or Section 9(c), as applicable, the Company shall pay Executive's Base Salary during the 60-day period following Executive's termination date on the Company's regularly scheduled payroll dates. The Company's obligation to pay Executive any further salary continuation payments after the 60-day period, as well as any other payments or benefits specified under Section 9(a) or Section 9(c), shall terminate if the Release is not effective and is no longer subject to revocation on the 60th day following Executive's termination date.

(f) This Section 9 sets forth the only obligations of the Company with respect to the termination of the Executive's employment with the Company, and the Executive acknowledges that, upon the termination of his employment, he shall not be entitled to any payments or benefits from the Company which are not explicitly provided in Section 9. Additionally, for avoidance of doubt, the payments and benefits that may be provided under Sections 9(a) or 9(c) above shall not be provided more than once and if payments and benefits are provided under any of these subsections, then no payments or benefits will otherwise be provided again under any of these subsections.

(g) Upon the termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned as an officer and as a director (if applicable) of the Company, effective as of the date of such termination.

(h) The obligations of the Company that arise under this Section 9 shall survive the expiration or earlier termination of this Agreement.

10. Indemnification. The Company shall defend and indemnify the Executive in his capacity as President and Chief Executive Officer of the Company to the fullest extent permitted under the Delaware General Corporate Law (the "**DGCL**"). The Company shall also establish a policy for indemnifying its officers and directors, including but not limited to the Executive, for all actions permitted under the DGCL taken in good faith pursuit of their duties for the Company, including but not limited to the obtaining of an appropriate level of Directors and Officers Liability coverage and including such provisions in the Company's by-laws or certificate of incorporation as applicable and customary. The rights to indemnification shall survive any termination of this Agreement.

11. Miscellaneous.

(a) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California, without giving effect to its principles of conflicts of laws.

(b) Any dispute arising out of, or relating to, this Agreement or the breach thereof (other than Section 5 or 6 hereof), or regarding the interpretation thereof, shall be finally settled by arbitration conducted in San Diego County, California, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association then in effect before a panel of three arbitrators appointed in accordance with such rules. Judgment upon any award rendered therein may be entered and enforcement obtained thereon in any court having jurisdiction. The arbitrator shall have authority to grant any form of appropriate relief whether legal or equitable in nature, including specific performance. For the purpose of any judicial proceeding to enforce such award or incidental to such arbitration or to compel arbitration and for purposes of Sections 5 and 6 hereof, the parties hereby submit to the non-exclusive jurisdiction of the state or federal courts situated in or for the County of San Diego, California, and agree that service of process in such arbitration or court proceedings shall be satisfactorily made upon it if sent by registered mail addressed to it at the address referred to below in paragraph (g) of this Section 11. Pending such resolution of any claim, the Executive shall be entitled to continue to receive all payments and benefits due under this Agreement or otherwise, unless the arbitration panel determines otherwise.

(c) This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and assigns.

(d) This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive. The Company may assign its rights together with its obligations, hereunder in connection with any sale, transfer or other disposition of all or substantially all of its business or assets.

(e) This Agreement cannot be amended orally, or by any course of conduct or dealing, but only by a written agreement signed by the parties hereto.

(f) The failure of either party to insist upon the strict performance of any of the terms, conditions and provisions of this Agreement shall not be construed as a waiver of relinquishment of future compliance therewith, and such terms conditions and provisions shall remain in full force and effect. No waiver of any term or condition of this Agreement on the part of either party shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party.

(g) All notices, requests, consents and other communications, required or permitted to be given hereunder, shall be in writing and shall be delivered personally or by an overnight courier service or sent by registered or certified mail, postage prepaid, return receipt requested, to the Executive at the address set forth on the first page of the Agreement and to the Company at its principal office, and shall be deemed given when so delivered personally or by overnight courier or when actually received if sent by registered or certified mail. Each party may designate another address, for receipt of notices hereunder by giving notice to the other party in accordance with this paragraph (g) of this Section 11.

(h) This Agreement, together with the Restricted Stock Purchase Award Agreements between Executive and the Company dated December 8, 2006 and January 2, 2007, and the Amended and Restated Series A Preferred Stock Purchase Agreement dated July 16,

2012, sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof, including without limitation the Original Employment Agreement, as previously amended, and the Previous Restated Employment Agreement. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(i) As used in this Agreement, "affiliate" means a corporate entity controlled by an individual identified by name herein, other than the Executive.

(j) The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(k) This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

(l) As used in this Agreement, the masculine, feminine or neuter gender, and the singular or plural, shall be deemed to include the others whenever and wherever the context so requires. Additionally, unless the context requires otherwise, "or" is not exclusive.

(m) The Company shall have the right to withhold and deduct from any payment hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment. The Company (including without limitation members of the Board of Directors of the Company) shall not be liable to the Executive or other persons as to any unexpected or adverse tax consequence realized by the Executive and the Executive shall be solely responsible for the timely payment of all taxes arising from this Agreement that are imposed on the Executive. This Agreement is intended to comply with the applicable requirements of Internal Revenue Code ("**Code**") Section 409A and shall be limited, construed and interpreted in a manner so as to comply therewith. Each payment made pursuant to any provision of this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Agreement to the Executive will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Agreement are exempt from or compliant with Code Section 409A. The Company will have no liability to the Executive or any other party if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. In addition, if upon the Executive's date of termination of employment with the Company, the Executive is then a "specified employee" (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following the Executive's date of termination of employment with the Company until the earlier of (i) the first business day of the seventh month following the Executive's date of termination of employment with the Company or (ii) ten (10) days after the Company receives written confirmation of the Executive's death. Any such delayed payments

shall be made without interest. Additionally, the reimbursement of expenses or in-kind benefits provided pursuant to this Agreement shall be subject to the following conditions: (1) the expenses eligible for reimbursement or in-kind benefits in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year; (2) the reimbursement of eligible expenses or in-kind benefits shall be made promptly, subject to the Company's applicable policies, but in no event later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit. Notwithstanding any provision to the contrary, any references to "termination of employment" or similar terms or phrases in this Agreement that refer to the Executive's termination of employment with the Company, shall mean a "separation from service" as defined under Code Section 409A and the Treasury Regulations promulgated thereunder.

(n) The Company agrees to reimburse Executive for legal fees he incurs in connection with the review of this Agreement, up to a maximum of $2,500.

(o) Anti-Dilution. The Company has previously granted to the Executive stock options to purchase a number of shares of the common stock of the Company ("**Common Stock**") sufficient to maintain the Executive's ownership percentage (if such stock option was exercised, and taking into account any other Company securities and equity awards held by the Executive) at 5% of the outstanding Common Stock of the Company on a fully diluted basis. Within ninety (90) days following any future issue of Common Stock during the Term, if any, the Company will grant the Executive a stock option to purchase a number of shares of Common Stock sufficient to maintain the Executive's ownership percentage (if such stock option was exercised, and taking into account any other Company securities and equity awards held by the Executive) at 5% of all of the outstanding stock of the Company on a fully diluted basis ("**Options**"). The Options will vest in equal monthly installments over four years subject to the Executive's continued employment with the Company on the date of each installment, except as otherwise provided in Section 9(c) or in the stock option award agreements. The per share exercise price of the Options, if granted, will be determined by the Board, but in any event will be equal to not less than the fair market value of a Company common share on the date of grant as determined in accordance with the Company equity incentive plan under which it is granted. The Options will be on other terms and conditions set forth in the stock option award agreements evidencing the grants, which the Executive must execute as a condition of grant. Notwithstanding the foregoing, the provisions of this Section 11(o) shall not apply to and shall terminate upon an initial public offering of the Company's Common Stock.

[Signature page follows]

CONFIDENTIAL

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY

By: /s/ Rainer Twiford
Name: Rainer Twiford
Title: Director

CHARLES P. THEUER

/s/ Charles P. Theuer

AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amendment to Amended and Restated Employment Agreement ("***Amendment***") is entered into as of this 17th day of September, 2014, by and between TRACON Pharmaceuticals, Inc., a Delaware corporation with principal executive offices at 8910 University Center Drive, Suite 700, San Diego, CA 92122 (the "***Company***") and Charles P. Theuer (the "***Executive***").

WHEREAS, the Company and Executive entered into an Amended and Restated Employment Agreement dated as of May 7, 2014 relating to Executive's continuing employment as the Company's President and Chief Executive Officer (the "***Amended Employment Agreement***");

WHEREAS, the parties desire to amend the Amended Employment Agreement to better conform to applicable California law; and

WHEREAS, the Company and Executive have agreed to amend the Amended Employment Agreement in accordance with the terms set forth below.

NOW, THEREFORE, for good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto hereby amend the Amended Employment Agreement as follows:

1. Defined Terms. Capitalized terms not otherwise defined in this Amendment shall have the meanings given to such terms in the Amended Employment Agreement.

2. Termination Benefits Period. The Termination Benefits Period referred to in Section 6(a) is hereby defined as the twelve (12) months following the termination of Executive's employment starting on the day of such termination of employment and ending one year thereafter.

3. Confidential Information and Inventions. Section 5 of the Amended Employment Agreement is stricken in its entirety. Concurrently with the execution of this Amendment, Executive shall execute and enter into the Employee Proprietary Information and Inventions Agreement ("***Confidentiality Agreement***") attached as Exhibit A to this Amendment. Executive acknowledges and agrees that the Confidentiality Agreement shall apply to Executive's entire period of employment with the Company, including all past time periods.

4. Non-Solicitation of Employees. Section 6(a)(i) is hereby amended to delete the words "or hire for any purpose any employee of the Company or any affiliate; or hire any former employee who has left the employment of the Company or any affiliate within

twelve (12) months of the termination of such employee's employment with the Company or any such affiliate; or hire any former employee of the Company in violation of such employee's non-competition agreement with the Company or any such affiliate; or".

5. Post-Employment Solicitation of Customers. Section 6(a)(ii) is stricken in its entirety.

6. Miscellaneous.

(a) Except as amended by this Amendment, the Amended Employment Agreement is effective in accordance with its terms and conditions and is hereby ratified and confirmed by the parties hereto for all purposes and in all respects.

(b) The titles of sections of this Amendment are for convenience of reference only and are not to be considered in construing this Amendment.

(c) This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all which together shall constitute one and the same instrument.

(d) A facsimile, telecopy or other reproduction of this Amendment may be executed by one or more parties hereto, and an executed copy of this Amendment may be delivered by one or more parties hereto by facsimile or similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

(e) This Amendment shall be governed by and construed in accordance with the laws of the State of California.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has caused this Amendment to Amended and Restated Employment Agreement to be executed as of the date first set forth above.

COMPANY:

TRACON PHARMACEUTICALS, INC.

By: /s/ Rainer Twiford
Name: Rainer Twiford
Title: Director

EXECUTIVE:

/s/ Charles P. Theuer
Charles P. Theuer

[Signature Page to Amendment to Amended and Restated Employment Agreement]

Statement Regarding
Employee Proprietary Information and Inventions Agreement

Attached to this statement is your Employee Proprietary Information and Inventions Agreement (the "**Agreement**") with TRACON Pharmaceuticals, Inc. (the "**Company**").

Please take the time to review the Agreement carefully. It contains material restrictions on your right to disclose or use, during or after your employment, certain information and technology learned or developed by you (either alone or jointly with others) during your employment. The Company considers this Agreement to be very important to the protection of its business.

If you have any questions concerning the Agreement, you may wish to consult an attorney. Managers, legal counsel and others in the Company are not authorized to give you legal advice concerning the Agreement.

If you have read and understand the Agreement, and if you agree to its terms and conditions, please return a fully executed copy of it to the Company, retaining one copy for yourself.

Reviewed And Understood:

Date: 17 SEP 2014

Charles P. Theuer
Employee Name

/s/ Charles P. Theuer
Employee Signature

TRACON PHARMACUETICALS, INC.

EMPLOYEE PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

1. In consideration of my continued employment by Tracon Pharmaceuticals, Inc. (the "**Company**"), I hereby agree to certain restrictions placed by the Company on my use and development of information and technology of the Company, as more fully set out below.

2. Proprietary Information.

(a) Proprietary Information Defined. I understand that the term "**Proprietary Information**" in this Agreement means any and all nonpublic information, ideas and materials, in whatever form, tangible or intangible, whether disclosed to or learned or developed by me, pertaining in any manner to the business of or used by the Company (including, without limitation, any person or entity owned by, controlled by or affiliated with the Company) or to any other person or entity to whom or which the Company owes a duty of confidentiality, including, but not limited to, any trade secret, technical know-how, information, knowledge or data relating to the Company's past, present, planned or foreseeable business as more fully described in Schedule A attached hereto.

(b) Often, Proprietary Information will be stamped or otherwise marked "Confidential, "Proprietary," or with some similar designation. If any information or material is not so marked however and it meets the definition in the foregoing Section 2(a) above, it is still Proprietary Information. If I am uncertain as to whether particular information or materials are Proprietary Information, I will request the Company's written opinion as to their status. I understand that Proprietary Information does not include any information, idea or material that (i) is or becomes publicly known through lawful means and without breach of this Agreement by me; (ii) was rightfully in my possession or part of my general knowledge prior to my employment by the Company; or (iii) is disclosed to me without confidential or proprietary restrictions by a third party who rightfully possesses the information, ideas or materials (without confidential or proprietary restrictions) and did not learn of it, directly or indirectly, from the Company. Any information, idea or material will not be considered to be publicly known or in the public domain merely because it is embraced by more general information in my prior possession or the possession of others, or merely because it is expressed in public literature in general terms. Proprietary Information also does not include my general knowledge and skill obtained during the course of my employment.

(c) I acknowledge that all information generated, received or maintained by or for me on the premises or equipment of Company (including, without limitation, computer systems and electronic or voice mail systems) is Proprietary Information and the sole property of the Company, and I hereby waive any property or privacy rights I may have with respect to such information.

3. Restrictions on Use and Disclosure. I will not, during or at any time after the termination of my employment with the Company, use or reproduce any Proprietary Information, except in the course of performing my duties as an employee of the Company. I also will not disclose or deliver, directly or indirectly, any Proprietary Information to any person or entity, except in the course of performing my duties as an employee of the Company and with the Company's consent. I will use my best efforts to prevent the unauthorized reproduction, disclosure or use of Proprietary Information by others.

4. Creations.

(a) Assignment. I hereby assign, and agree to assign, to the Company, without additional compensation, my entire right, title and interest in and to (a) all Creations, and (b) all benefits, privileges, causes of action and remedies relating to the Creations, whether before or hereafter accrued (including, without limitation, the exclusive rights to apply for and maintain all such registrations, renewals and/or extensions; to sue for all past, present or future infringements or other violations of any rights in the Creation; and to settle and retain proceeds from any such actions). The term Creations includes, but is not limited to, creations, inventions, works of authorship, ideas, processes, technology, formulas, software programs, writings, designs, discoveries, modifications and improvements, whether or not patentable or reduced to practice and whether or not copyrightable, and whether created by me alone or jointly with others, that (i) are made, conceived or developed during work hours, (ii) are developed using the Company's equipment, supplies, facilities, or trade secret information, or (iii) relate at the time of conception or reduction to practice to the Company's business, or actual or demonstrably anticipated research or development of the Company, or result from any work performed by me for the Company, whether or not made, conceived or developed during regular business hours or (iv) after termination of my employment if based on Proprietary Information. I agree that all such Creations are the sole property of the Company or any other entity designated by it, and, to the maximum extent permitted by applicable law, any copyrightable Creation will be deemed a work made for hire. I UNDERSTAND THAT THIS PARAGRAPH DOES NOT APPLY TO ANY CREATION WHICH QUALIFIES FULLY UNDER THE PROVISIONS OF SECTION 2870 OF THE LABOR CODE OF THE STATE OF CALIFORNIA, A COPY OF WHICH IS ATTACHED TO THIS AGREEMENT AS EXHIBIT 1 (Limited Exclusion Notification). I have reviewed the Limited Exclusion Notification in Exhibit 1 and agree that my signature acknowledges receipt of the notification. I understand that nothing in this Agreement is intended to expand the scope of protection provided me by Sections 2870 through 2872 of the California Labor Code.

(b) Disclosure. I agree to disclose promptly and fully in writing to my immediate supervisor at the Company, with a copy to the President, and to hold in confidence for the sole right, benefit and use of Company, any and all Creations made, conceived or developed by me (either alone or jointly with others) during my employment with the Company, or within one (1) year after the termination of my employment, whether or not I believe such Creations are subject to this Agreement, to permit a determination by the Company as to whether the Creations should be the property of the Company. Any such information will be received in confidence by the Company. I further agree to keep and maintain adequate and current written records on the development of all Creations made, conceived or developed by me (either alone or jointly with others) during my period of employment or during the one-year period following termination of my employment, which records will be available to and remain the sole property of the Company at all times.

(c) Assist with Registration. I agree that I will, at the Company's request, promptly execute a written assignment of title for any Creation required to be assigned by this Section 4. I further agree to perform, during and after my employment, all acts deemed necessary or desirable by the Company to assist it (at its expense) in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in the Creation assigned to the Company pursuant to this Section 4. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. Should the Company be unable to secure my signature on any document necessary to apply for, prosecute, obtain, or enforce any patent, copyright, or other right or protection relating to any Creation, whether due to my mental or physical incapacity or any other cause, I hereby irrevocably designate and appoint the Company and each of its duly authorized officers and agents as my agent and attorney-in-fact, to undertake such acts in my name as if executed and delivered by me, and I waive and quitclaim to the Company any and all claims of any nature whatsoever that I may not have or may later

have for infringement of any intellectual property rights in the Creations. The Company will compensate me at a reasonable rate for time actually spent by me at the Company's request on such assistance at any time following termination of my employment with the Company.

(d) License for Other Inventions. If, in the course of my employment with the Company, I incorporate into Company property an invention owned by me or in which I have an interest, the Company is hereby granted a nonexclusive, royalty-free, irrevocable, perpetual, world-wide license to make, modify, use, offer for sale, sell and import any invention as part of and in connection with the Company property.

5. Prior Creations. All inventions, works of authorship, ideas, processes, technology, formulas, software programs, writings, designs, discoveries, modifications, improvements or other creations, if any, that I made, conceived or developed (either alone or jointly with others) prior to my employment by the Company (collectively, "**Prior Creations**") are excluded from the scope of this Agreement. Set forth on Schedule B attached hereto is a complete list of all such Prior Creations that are owned by me, either alone or jointly with others. I represent and covenant that such list is complete, and I understand that by not listing an invention, work of authorship, discovery, modification, improvement or other creation I am acknowledging that such creation was not made, conceived or developed before commencement of my employment with the Company. I agree to notify the Company in writing before I make any disclosure to, or perform any work on behalf of, the Company that appears to conflict with proprietary rights I claim in any Prior Creation. If I fail to give such notice, I agree that I will make no claim against the Company with respect to any such Prior Creation.

6. Confidential Information of Others. I will not use, disclose to the Company or induce the Company to use any confidential, proprietary or trade secret information or material belonging to others which comes into my knowledge or possession at any time, nor will I use any such information or material in the course of my employment with the Company. Except as disclosed on Schedule B to this Agreement, I have no other agreements or relationships with or commitments to any other person or entity that conflict with my obligations to the Company as an employee of the Company or under this Agreement, and I represent that my employment will not require me to violate any obligation to or confidence with another. In the event I believe that my work at the Company would make it difficult for me not to disclose to the Company any confidential, proprietary or trade secret information or materials belonging to others, I will immediately inform my supervisor. I have not entered into, and I agree I will not enter into, any oral or written agreement in conflict with this Agreement.

7. Business Relationships. I acknowledge that the Company's relationships with its employees, customers, vendors and service providers are valuable business assets. I agree that, during my employment and for one (1) year thereafter, I will not: (i) use or disclose Proprietary Information or Company trade secrets (on behalf of myself or for any third party) in order to divert or attempt to divert from the Company any business, employee, customer, vendor or service provider, through solicitation or otherwise, (ii) solicit, encourage, or cause others to solicit or encourage any employees of the Company to terminate their employment with the Company; or (iii) for the purpose of recruitment directly or indirectly make known to any person, firm, corporation or other entity the names, addresses or other confidential information which identifies or characterizes any of the Company's employees or any other information pertaining to them.

8. Government Contracts and Other Obligations. I understand that the Company has or may enter into contracts with other persons or entities, including the United States government or its agents, under which certain intellectual property rights will be required to be protected, assigned, licensed, or otherwise transferred. I hereby agree to be bound by all such agreements, and to execute such

other documents and agreements as are necessary to enable the Company to meet its obligations under any such contracts.

9. Return of Materials; Termination. I hereby acknowledge and agree that all property, including, without limitation, all source code listings, books, manuals, records, models, drawings, reports, notes, contracts, lists, blueprints, and other documents or materials and all copies thereof, all equipment furnished to or prepared by me in the course of or incident to my employment, and all Proprietary Information belonging to the Company will be promptly returned to the Company upon termination of my employment with the Company for any reason or at any other time at the Company's request. Following my termination, I will not retain any written or other tangible material containing any Proprietary Information or information pertaining to any Creation. I understand that my obligations contained in this Agreement will survive the termination of my employment and I will continue to make all disclosures required of me by Section 4(b) above. I further agree not to use any Proprietary Information for my benefit or the benefit of others. In the event of the termination of my employment, I agree, if requested by the Company, to sign and deliver the Termination Certificate attached as Schedule C hereto and incorporated herein.

10. Remedies. I recognize that nothing in this Agreement is intended to limit any remedy of the Company under the California Uniform Trade Secrets Act or other federal or state law, and that I could face possible criminal and civil actions resulting in imprisonment and substantial monetary liability if I misappropriate the Company's trade secrets. In addition, I acknowledge that it may be extremely difficult to measure in money the damage to the Company of any failure by me to comply with this Agreement, that the restrictions and obligations under this Agreement are material, and that, in the event of any failure, the Company could suffer irreparable harm and significant injury and may not have an

adequate remedy at law or in damages. Therefore, I agree that if I breach any provision of this Agreement, the Company will be entitled to the issuance of an injunction or other restraining order or to the enforcement of other equitable remedies against me to compel performance of the terms of this Agreement without the necessity of showing or proving it has sustained any actual damage. This will be in addition to any other remedies available to the Company in law or equity.

11. Miscellaneous Provisions.

(a) Application of this Agreement. The Company and I acknowledge that I have been engaged to provide services to the Company for a period of time prior to the date of this Agreement (the "**Prior Engagement Period**"). I agree that if and to the extent that, during the Prior Engagement Period: (i) I received access to any information from or on behalf of the Company that would have been "Proprietary Information" if I had received access to such information during the period of my employment with the Company under this Agreement; or (ii) I conceived, created, authored, invented, developed or reduced to practice any item, including any intellectual property rights with respect thereto, that would have been a "Creation" if conceived, created, authored, invented, developed or reduced to practice during the period of my employment with the Company under this Agreement; then any such information shall be deemed "Proprietary Information" hereunder and any such item shall be deemed a "Creation" hereunder, and this Agreement shall apply to such information or item as if conceived, created, authored, invented, developed or reduced to practice under this Agreement.

(b) No Waiver by Conduct or Prior Waiver. A party's delay, failure or waiver of any right or remedy under this Agreement will not impair, preclude, cancel, waive or otherwise affect such right or remedy or any subsequent rights or remedies that may arise.

(c) General Provisions. This Agreement constitutes the entire agreement between the Company and me relating generally to the same subject matter, replaces any existing agreement

entered into by me and the Company relating generally to the same subject matter, and may not be changed or modified, in whole or in part, except by written supplemental agreement signed by me and the Company. I agree that any subsequent change in my duties or compensation will not affect the validity or scope of this Agreement. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement will not fail on account thereof but will otherwise remain in full force and effect. If any obligation in this Agreement is held to be too broad to be enforced, it will be construed to be enforceable to the full extent permitted by law. The obligations of this Agreement will continue beyond the termination of my employment and will be binding upon my heirs, executors, assigns, administrators, legal representatives and other successors in interest. This Agreement will inure to the benefit of the Company, its successors, assigns and affiliates. This Agreement will be governed by and construed in accordance with the laws of the State of California, without giving effect to its conflict of law rules. This Agreement may be signed in two counterparts, each of which will be deemed an original and both of which will constitute one agreement.

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I UNDERSTAND THAT I AM AN AT-WILL EMPLOYEE, AND THAT MY EMPLOYMENT MAY BE TERMINATED AT ANY TIME WITH OR WITHOUT CAUSE AND WITH OR WITHOUT NOTICE. I HAVE COMPLETELY NOTED ON SCHEDULE B TO THIS AGREEMENT ANY PROPRIETARY INFORMATION, IDEAS, PROCESSES, INVENTIONS, TECHNOLOGY, WRITINGS, PROGRAMS, DESIGNS, FORMULAS, DISCOVERIES, PATENTS, COPYRIGHTS, OR TRADEMARKS, OR IMPROVEMENTS, RIGHTS, OR CLAIMS RELATING TO THE FOREGOING, THAT I BELIEVE SHOULD BE EXCLUDED FROM THIS AGREEMENT. I HAVE ALSO NOTED ON SCHEDULE B TO THIS AGREEMENT ANY AGREEMENT OR RELATIONSHIP WITH OR COMMITMENT TO ANY OTHER PERSON OR ENTITY THAT CONFLICTS WITH MY OBLIGATIONS AS AN EMPLOYEE OF THE COMPANY.

Date: 17 SEP 2014

Charles P. Theuer
Employee Name

/s/ Charles P. Theuer
Employee Signature

SCHEDULE A

EXAMPLES OF PROPRIETARY INFORMATION

Proprietary Information includes, but is not limited to, any of the following types of information, ideas and materials:

any trade secret; technical know-how; information; data; knowledge; idea; design; formula; schematics; instrument; product; machinery; project; equipment; document; file; photograph; computer printout; drawing; manual; sketch or other visual representation; data processing or computer software technique, program or system; biological, chemical, mechanical or other invention; improvement; discovery; composition; process; part of a process; manufacturing technique; book; notebook; paper; compilation of information; record; specification; operating method; patent disclosure or patent application; list or other written record used in the Company's business; information regarding the Company's financial condition; employee personnel files and compensation and other terms of employment of the Company's employees and consultants; names and practices of any customers or potential customers of the Company and its affiliates; names, marketing methods, operating practices and related data regarding the Company's existing and potential vendors, suppliers, distributors, joint venture partners, and affiliates; the marketing methods and plans of the Company and its affiliates, licensors and licensees and related data and prices at which the Company obtains or has obtained, or at which it sells or has sold, its products or services; research, development, manufacturing and sales plans, costs and receipts of the Company; any information of the type described above which the Company has a legal obligation to treat as

confidential, or which the Company treats as proprietary or designates as confidential, whether or not owned or developed by the Company; and any other information, ideas or materials relating to the past, present, planned or foreseeable business, products, developments, technology or activities of the Company.

SCHEDULE B

Prior Knowledge of Proprietary Information;
Prior Creations; Prior Commitments

1. EMPLOYEE'S DISCLOSURE OF PROPRIETARY INFORMATION

Except as set forth below, I acknowledge that at this time I know nothing about the business or Proprietary Information of the Company, other than information I have learned from the Company in the course of being hired (Check here _____ if continued on additional attached sheets):

2. EMPLOYEE'S DISCLOSURE OF PRIOR CREATIONS

The following information is provided in accordance with Section 5 of the Company's Employee Proprietary Information and Inventions Agreement (the "**Agreement**") executed by me.

ü I have made no inventions, discoveries or improvements prior to my employment with the Company that are owned by me, either alone or jointly with others.

_____ The following is a complete and current list of all inventions, discoveries, or improvements I have made, conceived, or first reduced to practice prior to my employment with the Company, that are owned by me, alone or jointly with others, which I desire to remove from the operation of the Agreement. (Check here _____ if continued on additional attached sheets.)

3. EMPLOYEE'S DISCLOSURE OF CONFLICTING AGREEMENTS

The following information is provided in accordance with Section 6 of the Agreement:

ü I am not party to any agreement or relationships with or commitments to any other person or entity that conflict with my obligations as an employee of the Company or under the Agreement.

_____ The following is a complete and current list of all agreements or relationships with or commitments to any other person or entity that conflict with my obligations as an employee of the Company under the Agreement. (Check here _____ if continued on additional attached sheets.)

Date: 17 Sept 2014

Charles P. Theuer
Employee Name

/s/ Charles P. Theuer
Employee Signature

SCHEDULE C

TERMINATION CERTIFICATE CONCERNING
COMPANY'S PROPRIETARY INFORMATION AND CREATIONS

This is to certify that I have returned all property of TRACON Pharmaceuticals, Inc., a Delaware corporation (the "**Company**"), including, without limitation, all source code listings, books, manuals, records, models, drawings, reports, notes, contracts, lists, blueprints, and other documents and materials, Proprietary Information, and equipment furnished to or prepared by me in the course of or incident to my employment with the Company, and that I did not make or distribute any copies of the foregoing.

I further certify that I have reviewed the Employee Proprietary Information and Inventions Agreement (the "**Agreement**") signed by me and that I have complied with and will continue to comply with all of its terms, including, without limitation, (i) the reporting of any idea, process, invention, technology, writing, program, design, formula, discovery, patent, copyright, or trademark, or any improvement, rights, or claims related to any and all Creations, conceived or developed by me and covered by the Agreement and (ii) the preservation as confidential of all Proprietary Information pertaining to the Company. This certificate in no way limits my responsibilities or the Company's rights under the Agreement.

On termination of my employment with the Company, I will be employed by _____ **[Name of New Employer] [in the** _____ **division]** and I will be working in connection with the following projects:

[generally describe the projects]

Date: _____ Charles P. Theuer
Employee Name

_____
Employee Signature

EXHIBIT 1

CALIFORNIA LABOR CODE
SECTIONS 2870-2872

2870. (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

2871. No employer shall require a provision made void and unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

2872. If an employment agreement entered into after January 1, 1980, contains a provision requiring the employee to assign or offer to assign any of his or her rights in any invention to his or her employer, the employer must also, at the time the agreement is made, provide a written notification to the employee that the agreement does not apply to an invention which qualifies fully under the provisions of Section 2870. In any suit or action arising thereunder, the burden of proof shall be on the employee claiming the benefits of its provisions.

EMPLOYMENT AGREEMENT

This employment agreement (the "**Agreement**") is entered into by and between H Casey Logan ("you" or "your") and Tracon Pharmaceuticals, Inc., a Delaware corporation, (the "**Company**"). This Agreement has an effective date of [February 18, 2013] (the "**Effective Date**").

In consideration of the mutual covenants and promises made in this Agreement, you and the Company agree as follows:

1. ***Position and Responsibilities.***

(a) **Duties**. As of the Effective Date, you will commence serving as a full-time employee of the Company as the Company's Chief Business Officer ("**CBO**"). As CBO, you shall report directly to the Company's Chief Executive Officer (the "**CEO**"). You shall have the duties, responsibilities and authority that are customarily associated with such position and such other senior management duties as may reasonably be assigned by the CEO or by the Company's Board of Directors ("**Board**"). In particular, you will direct corporate business development. Initially, your office will be located at the Company's headquarters at 8910 University Center Drive, Suite 700, San Diego, California 92122.

(b) **Loyalty**. You will devote your full time, efforts, abilities, and energies to promote the general welfare and interests of the Company and any related enterprises of the Company. You will loyally, conscientiously, and professionally do and perform all duties and responsibilities of this position, as well as any other duties and responsibilities as will be reasonably assigned by the Company. At the request of the Company, you will also serve as an officer and/or member of the board of directors of any Company affiliate, without additional compensation.

2. ***Term***. Your employment with the Company is at-will and either you or the Company may terminate your employment at any time and for any reason (or no reason), with or without Cause/Good Reason (as each are defined below), in each case subject to the terms and provisions of this Agreement. The terms of Sections 7 through 16 shall survive any termination or expiration of this Agreement or of your employment.

3. ***Salary, Bonus, Equity Incentives, Benefits and Indemnification***. For avoidance of doubt, the Board may delegate some or all of its authority and responsibilities under this Section 3 to a committee of members of the Board.

(a) **Base Salary**. During your employment as CBO pursuant to this Agreement, you will be paid an annual base salary of $236,000 (the "**Base Salary**") for your services as CBO, payable in the time and manner that the Company customarily pays its employees.

(b) **Bonuses**. During your employment as CBO pursuant to this Agreement, you will be eligible to participate in any bonus programs as set forth by the Board. In addition, during each Company fiscal year you will be eligible to earn an annual cash bonus based on performance objectives established by the Board. Your annual target cash bonus amount will be equal to 20% of the Base Salary that was paid to you during the applicable fiscal year. The actual amount of the annual bonus paid to you, if any, shall be determined by the Board in its sole discretion and may be less than the target amount. For fiscal year 2013, your target bonus amount will be pro-rated based on the percentage of time you were employed during the fiscal year. Any such bonus shall be paid to you during the first two and a half months of the fiscal year that follows the applicable performance fiscal year. The bonus will be deemed to have been earned on the date of payment of such bonus and you must remain an employee of the Company through the date of payment in order to receive the bonus.

(c) **Stock Options and Compensatory Equity**. Upon the Effective Date, subject to approval of the Board and subject to your being a Company employee on the Effective Date, you shall be granted a stock option under the Company's 2011 Equity Incentive Plan ("**2011 Plan**") to purchase up to 325,148 shares of common stock of the Company (the "**Option**"). To the maximum extent permitted by applicable law, the Option shall constitute an "incentive stock option", as provided under Internal Revenue Code (the "**Code**") Section 422, and the balance of the Option shall be a nonstatutory stock option. As a condition of the grant of the Option, you must timely execute an Option agreement(s) prescribed by the Company which will provide the terms and conditions of the Option (the "**Option Agreement**"). Subject to all the terms of the Agreement and your continuous Service (as defined in the 2011 Plan) for the Company through the applicable dates of vesting, your right to purchase shares under the Option shall vest initially at the rate of one-fourth (1/4) of the total number of shares covered by the Option on the date that is one calendar year following the Effective Date and thereafter at a rate of one-forty-eighth (1/48) of the total number of shares covered by the Option per calendar month on the last day of each of the thirty-six (36) months following the one year anniversary of the Effective Date. The final one-forty-eighth (1/48) of the total number of shares covered by the Option shall vest on the fourth anniversary of the Effective Date. The Option may also become vested on an accelerated basis as set forth in Section 6(b) of this Agreement. In all cases, the resulting aggregate number of vested shares will be rounded down to the nearest whole number. Except as explicitly set forth in this Agreement, no shares subject to the Option will vest after your Service has terminated for any reason.

(d) **Benefits**. During your employment with the Company, you will be entitled to participate, on the same terms as generally provided to senior executives, in all Company employee benefit plans and programs at the time or thereafter made available to Company senior executive officers including, without limitation, any savings or profit sharing plans, deferred compensation plans, stock option incentive plans, group life insurance, accidental death and dismemberment insurance, hospitalization, surgical, major medical and dental coverage, vacation, sick leave (including salary continuation arrangements), long-term disability, holidays and other employee benefit programs sponsored by the Company. The Company may amend, modify or terminate these benefits at any time and for any reason.

4. ***Expense Reimbursement***. During your employment, you will be reimbursed for all reasonable business expenses (including, but without limitation, travel expenses) upon the properly completed submission of requisite forms and receipts to the Company in accordance with the Company's expense reimbursement policy.

5. ***Limitation on Golden Parachute Payments*** Notwithstanding any other provision of this Agreement or any such other agreement or plan, if any portion of the Total Payments (as defined below) would constitute an Excess Parachute Payment (as defined below) and therefore would be nondeductible to the Company by reason of the operation of Code Section 280G relating to golden parachute payments and/or would be subject to the golden parachute excise tax ("**Excise Tax**") by reason of Section 4999 of the Code, then the full amount of the Total Payments shall not be provided to you and you shall instead receive the Reduced Total Payments (as defined below).

If the Total Payments must be reduced to the Reduced Total Payments, the reduction shall occur in the following order: (1) reduction of cash payments for which the full amount is treated as a Parachute Payment; (2) cancellation of accelerated vesting (or, if necessary, payment) of cash awards for which the full amount is not treated as a parachute payment; (3) cancellation of any accelerated vesting of equity awards; and (4) reduction of any continued employee benefits. In selecting the equity awards (if any) for which vesting will be reduced under clause (3) of the preceding sentence, awards shall be selected in a manner that maximizes the after-tax aggregate amount of Reduced Total Payments provided

to you, provided that if (and only if) necessary in order to avoid the imposition of an additional tax under Section 409A of the Code, awards instead shall be selected in the reverse order of the date of grant.

For the avoidance of doubt, for purposes of measuring an equity compensation award's value to you when performing the determinations under the preceding paragraph, such award's value shall equal the then aggregate fair market value of the vested shares underlying the award less any aggregate exercise price less applicable taxes. Also, if two or more equity awards are granted on the same date, each award will be reduced on a pro-rata basis. In no event shall (i) you have any discretion with respect to the ordering of payment reductions or (ii) the Company be required to gross up any payment or benefit to you to avoid the effects of the Excise Tax or to pay any regular or excise taxes arising from the application of the Excise Tax.

All mathematical determinations and all determinations of whether any of the Total Payments are Parachute Payments that are required to be made under this Section shall be made by a nationally recognized independent audit firm selected by the Company (the "**Accountants**"), who shall provide their determination, together with detailed supporting calculations regarding the amount of any relevant matters, both to the Company and to you. Such determination shall be made by the Accountants using reasonable good faith interpretations of the Code. The Company shall pay the fees and costs of the Accountants which are incurred in connection with this Section.

"**Excess Parachute Payment**" has the same meaning provided to such term by Treasury Regulations section 1.280G-1 Q/A-3.

"**Parachute Payment**" has the same meaning provided to such term by Treasury Regulations section 1.280G-1 Q/A-2.

"**Reduced Total Payments**" means the lesser portion of the Total Payments that may be provided to you instead of the Total Payments. The Reduced Total Payments shall be the maximum amount from the Total Payments that can be provided to you without incurring Excess Parachute Payments.

"**Total Payments**" means collectively the benefits or payments provided by the Company (or by any person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets within the meaning of section 280G of the Code and the regulations thereunder) to or for the benefit of you under this Agreement or any other agreement or plan.

6. ***Consequences of Termination of Employment***. For purposes of this Agreement, your last day of employment with the Company is the "**Termination Date**". Upon termination of your employment for any reason, you shall receive payment or benefits from the Company covering the following: (i) all unpaid salary and unpaid vacation accrued through the Termination Date, (ii) any payments/benefits to which you are entitled under the express terms of any applicable Company employee benefit plan, (iii) any unreimbursed valid business expenses for which you have submitted properly documented reimbursement requests and (iv) your then outstanding equity compensation awards as governed by their applicable terms (collectively, (i) through (iv) are the "**Accrued Pay**"). You may also be eligible for other post-employment payments and benefits as provided in this Agreement.

(a) **For Cause**. For purposes of this Agreement, your employment may be terminated by the Company for "**Cause**" as a result of the occurrence of one or more of the following:

(i) Your commission of fraud or other unlawful conduct in your performance of duties for the Company;

(ii) your conviction of, or a plea of guilty or nolo contendere to, a felony or other crime (except for misdemeanors which are not materially injurious to the business or reputation of the Company or a Company affiliate); or

(iii) your willful refusal to perform in any material respect your duties and responsibilities for the Company or a Company affiliate or your failure to comply in any material respect with the terms of this Agreement, your Confidentiality Agreement (as defined below) or and the policies and procedures of the Company or a Company affiliate at which you serve as an officer and/or director if such refusal or failure causes or reasonably expects to cause injury to the Company or a Company affiliate;

(iv) fraud or other illegal conduct in your performance of duties for the Company or a Company affiliate;

(v) your material breach of any material term of this Agreement; or

(vi) any conduct by you which is materially injurious to the Company or a Company affiliate or materially injurious to the business reputation of the Company or a Company affiliate.

Prior to your termination for Cause, you will be provided with written notice from the Company describing the conduct forming the basis for the alleged Cause and to the extent curable as determined by the Board in its sole discretion, an opportunity of 15 days to cure such conduct before the Company may terminate you for Cause. If the Board determines that the Cause event is curable, you may during this 15 day period present your case to the full Board before any termination for Cause is finalized by the Company. Any termination for "Cause" will not limit any other right or remedy the Company may have under this Agreement or otherwise.

In the event your employment is terminated by the Company for Cause you will be entitled only to your Accrued Pay and you will be entitled to no other compensation from the Company.

(b) **Without Cause or for Good Reason**. The Company may terminate your employment without Cause at any time and for any reason with notice or you may resign your employment for Good Reason (as defined below in Section 6(b)(iv)) upon thirty days advance written notice (each a "**Qualifying Termination**"). If your employment is terminated due to a Qualifying Termination, then you will be eligible to receive the following subject to your timely compliance with Section 6(e) and further provided that no payments for such Qualifying Termination shall be made until on or after the date of a "separation from service" within the meaning of Code Section 409A. The cash payments described in subsection (i), (ii) or (iii) below, and each of which are alternative, are defined as the "**Severance Payments**." The number of months of Base Salary constituting the Severance Payments as set forth in subsection (i), (ii) or (iii) below (3 months, 6 months or 9 months, respectively) is referred to as the "**Severance Period**."

(i) If your employment is terminated due to a Qualifying Termination and your Termination Date occurs on or before December 31, 2013, (A) the Company shall provide you with aggregate cash Severance Payments equal to three months of your then annual Base Salary and (B) your Option shall vest and become exercisable with respect to an additional three months of vesting following the Termination Date. The cash payments provided by this subpart (i) shall be paid to you in substantially equal monthly installments payable over the 3 month period following your Termination Date, provided, however, the first payment of the Severance Payments (in an amount equal to two months of Base Salary) shall be made on the 60th day following the Termination Date.

(ii) If your employment is terminated due to a Qualifying Termination and your Termination Date occurs on or after January 1, 2014, (A) the Company shall provide you with aggregate cash Severance Payments equal to six months of your then annualized Base Salary and (B) your Option shall vest and become exercisable with respect to an additional six months of vesting following the Termination Date. The cash payments provided by this subpart (ii) shall be paid to you in substantially equal monthly installments payable over the 6 month period following your Termination Date, provided, however, the first payment of the Severance Payments (in an amount equal to two months of Base Salary) shall be made on the 60th day following the Termination Date.

(iii) Notwithstanding the foregoing, if your employment is terminated due to a Qualifying Termination and your Termination Date occurs within 18 months following a Change in Control (as defined in the 2011 Plan) of the Company then the aggregate amount of the Severance Payments shall instead be equal to nine months of your then annual Base Salary and (B) your Option shall instead vest and become exercisable in full. The cash payments provided by this subpart (iii) shall be paid to you in substantially equal monthly installments payable over the 9 month period following your Termination Date, provided, however, the first payment of the Severance Payments (in an amount equal to two months of Base Salary) shall be made on the 60th day following the Termination Date.

(iv) The Company shall continue to pay the Company portion of the premiums for your Company group health insurance coverage for you and your dependents for a number of months following the Termination Date equal to the applicable Severance Period provided you continue to timely pay the same portion (if any) of the necessary premium that you were responsible to pay as of immediately before your Termination Date. If it becomes unreasonable for the Company to continue to pay for this coverage for you (or imposes adverse tax consequences on you) because of changes in applicable law then the Company shall make the premium payments to you on an after-tax basis.

(v) For purposes of this Agreement, you may resign your employment from the Company for "Good Reason" within ninety (90) days after the date that any one of the following events described in the below subparts (1) through (3) (any one of which will constitute "**Good Reason**") has first occurred without your written consent. Your resignation for Good Reason will only be effective if the Company has not cured or remedied the Good Reason event within 30 days after its receipt of your written notice (such notice shall describe in detail the basis and underlying facts supporting your belief that a Good Reason event has occurred). Such notice of your intention to resign for Good Reason must be provided to the Company within 45 days of the initial existence of a Good Reason event. Failure to timely provide such written notice to the Company or failure to timely resign your employment for Good Reason means that you will be deemed to have consented to and waived the Good Reason event. If the Company does timely cure or remedy the Good Reason event, then you may either resign your employment without Good Reason or you may continue to remain employed subject to the terms of this Agreement. For avoidance of doubt, the initial existence of any Good Reason event must occur after the Effective Date and before the Expiration Date. This "Good Reason" definition and process is intended to comply with the safe harbor provided under Treasury Regulation Section 1.409A-1(n)(2)(ii) and shall be interpreted accordingly.

(1) You have incurred a material diminution in your responsibilities, duties or authority;

(2) You have incurred a material diminution in your Base Salary; or

(3) The Company has materially breached a material term of this Agreement.

For avoidance of doubt, this Section 6(b) does not apply to a termination of employment due to death or Disability which are addressed in Section 6(d) below.

(c) **Voluntary Termination**. In the event you voluntarily terminate your employment with the Company without Good Reason, you will be entitled to receive only your Accrued Pay. You will be entitled to no other compensation from the Company. You agree to provide the Company with at least 15 days advance written notice of your intention to resign without Good Reason. For avoidance of doubt, this Section 6(c) does not apply to a termination of employment due to death or Disability which are addressed in Section 6(d) below.

(d) **Death or Disability**. In the event your employment with the Company is terminated due to your Disability or death, then you or your estate will be entitled to receive your Accrued Pay. For purposes of this Agreement, "**Disability**" is defined to occur when you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

(e) **Separation Agreement and Release of Claims**. As a condition to receiving (and continuing to receive) the payments provided in Section 6(b), you must: (i) within not later than forty-five (45) days after your Termination Date, execute (and not revoke) and deliver to the Company a Separation Agreement in a form prescribed by the Company and such Separation Agreement shall include without limitation a release of all claims against the Company and its affiliates along with a covenant not to sue and (ii) remain in full compliance with such Separation Agreement.

7. ***Proprietary Information and Inventions Agreement; Confidentiality***. You will be required, as a condition of your employment with the Company, to execute the Company's form of proprietary information and inventions agreement as may be amended from time to time by the Company ("**Confidentiality Agreement**").

8. ***Assignability; Binding Nature***. Commencing on the Effective Date, this Agreement will be binding upon you and the Company and your respective successors, heirs, and assigns. This Agreement may not be assigned by you except that your rights to compensation and benefits hereunder, subject to the limitations of this Agreement, may be transferred by will or operation of law. No rights or obligations of the Company under this Agreement may be assigned or transferred except in the event of a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and assumes the Company's obligations under this Agreement contractually or as a matter of law. The Company will require any such purchaser, successor or assignee to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such purchase, succession or assignment had taken place. Your rights and obligations under this Agreement shall not be transferable by you by assignment or otherwise provided, however, that if you die, all amounts then payable to you hereunder shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there be no such designee, to your estate.

9. ***Governing Law; Arbitration***. This Agreement will be deemed a contract made under, and for all purposes shall be construed in accordance with, the laws of California. You and the Company hereby agree that any and all disputes, claims or controversies arising out of or relating to this Agreement, the employment relationship between the parties, or the termination of the employment relationship, that are not mutually resolved, shall be resolved by final and binding arbitration by a single, neutral arbitrator. This agreement to arbitrate includes any claims that the Company may have you, or that you may have

against the Company or against any of its officers, directors, employees, agents, or parent, subsidiary, or affiliated entities. This agreement to arbitrate shall not apply to any dispute if an agreement to arbitrate such dispute is prohibited by law. The arbitration shall be conducted under the Employment Arbitration Rules of the American Arbitration Association ("**AAA Rules**") then in effect. You may obtain a copy of the AAA Rules by accessing the AAA website at www.adr.org. The arbitration shall take place in San Diego County, California. The arbitrator may award any relief or remedy allowed by applicable law. Nothing in this Agreement shall prohibit or limit the parties from seeking provisional remedies under California Code of Civil Procedure ("**CCP**") section 1281.8, including, but not limited to, injunctive relief from a court of competent jurisdiction. The arbitrator shall have the authority to provide for the award of attorney's fees and costs if such award is separately authorized by applicable law. The decision of the arbitrator shall be in writing and shall provide the reasons for the award unless the parties agree otherwise. The arbitrator shall not have the power to commit errors of law or legal reasoning and the award may be vacated or corrected on appeal to a court of competent jurisdiction for any such error. The availability of judicial review in the preceding sentence shall be governed by California law. A decision by the arbitrator shall be final and binding, and judgment upon the determination or award rendered by the arbitrator may be entered in any court having jurisdiction. Except as otherwise indicated above, this Agreement shall be enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Sec 1 *et. Seq*.

10. ***Taxes***. The Company shall have the right to withhold and deduct from any payment hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment. The Company (including without limitation members of the Board) shall not be liable to you or other persons as to any unexpected or adverse tax consequence realized by you and you shall be solely responsible for the timely payment of all taxes arising from this Agreement that are imposed on you. This Agreement is intended to comply with the applicable requirements of Code Section 409A and shall be limited, construed and interpreted in a manner so as to comply therewith. Each payment made pursuant to any provision of this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Agreement to you will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Agreement are exempt from or compliant with Code Section 409A. The Company will have no liability to you or any other party if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. In addition, if upon your Termination Date, you are then a "specified employee" (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following your Termination Date until the earlier of (i) the first business day of the seventh month following your Termination Date or (ii) ten (10) days after the Company receives written confirmation of your death. Any such delayed payments shall be made without interest. Additionally, the reimbursement of expenses or in-kind benefits provided pursuant to this

Agreement shall be subject to the following conditions: (1) the expenses eligible for reimbursement or in-kind benefits in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year; (2) the reimbursement of eligible expenses or in-kind benefits shall be made promptly, subject to the Company's applicable policies, but in no event later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

11. ***Entire Agreement***. Except as otherwise specifically provided in this Agreement, this Agreement (and the agreements referenced herein) contains all the legally binding understandings and agreements between you and the Company pertaining to the subject matter of this Agreement and supersedes all such agreements, whether oral or in writing, previously discussed or entered into between the parties including without limitation any term sheets regarding your potential employment with the

Company. As a material condition of this Agreement, you represent that by entering into this Agreement or by becoming a Company employee you are not violating the terms of any other contract or agreement or other legal obligations that would prohibit you from performing your duties for the Company. You further agree and represent that in providing your services to the Company you will not utilize or disclose any other entity's trade secrets or confidential information or proprietary information. You represent that you are not resigning employment or relocating any residence in reliance on any promise or representation by the Company regarding the kind, character, or existence of such work, or the length of time such work will last, or the compensation therefor.

12. ***Covenants*** (a) As a condition of this Agreement and to your receipt of any post-employment benefits, you agree that you will fully and timely comply with all of the covenants set forth in this subsection 12(a) (which shall survive your termination of employment and termination or expiration of this Agreement):

(i) You will fully comply with all obligations under the Confidentiality Agreement and further agree that the provisions of the Confidentiality Agreement shall survive any termination or expiration of this Agreement or termination of your employment or any subsequent service relationship with the Company;

(ii) Within five (5) days of the Termination Date, you shall return to the Company all Company confidential information including, but not limited to, intellectual property, etc. and you shall not retain any copies, facsimiles or summaries of any Company proprietary information;

(iii) You will not at any time during or following your employment with the Company, make (or direct anyone to make) any disparaging statements (oral or written) about the Company, or any of its affiliated entities, officers, directors, employees, stockholders, representatives or agents, or any of the Company's products or services or work-in-progress, that are harmful to their businesses, business reputations or personal reputations;

(iv) You agree that during the period of your employment with the Company and for one year after the Termination Date, you will not induce, solicit, recruit or encourage any employee of the Company to leave the employ of the Company which means that you will not (x) disclose to any person, entity or employer the backgrounds or qualifications of any Company employees or otherwise identify them as potential candidates for employment or (y) personally or through any other person recruit or otherwise solicit Company employees to work for you or any other person, entity, or employer;

(v) You agree that during the period of your employment with the Company and thereafter, you will not utilize any trade secrets of the Company in order to solicit, either on behalf of yourself or any other person or entity, the business of any client or customer of the Company, whether past, present or prospective. The Company considers the following, without limitation, to be its trade secrets: Financial information, administrative and business records, analysis, studies, governmental licenses, employee records (including but not limited to counts and goals), prices, discounts, financials, electronic and written files of Company policies, procedures, training, and forms, written or electronic work product that was authored, developed, edited, reviewed or received from or on behalf of the Company during period of employment, Company developed technology, software, or computer programs, process manuals, products, business and marketing plans and or projections, Company sales and marketing data, Company technical information, Company strategic plans, Company financials, vendor affiliations, pre-clinical and clinical data and plans, proprietary information, technical data, scientific data and plans, trade secrets, know-how, copyrights, patents, trademarks, intellectual property, and all documentation related to or including any of the foregoing; and

(vi) You agree that, upon the Company's request and without any payment therefore, you shall reasonably cooperate with the Company (and be available as necessary) after the Termination Date in connection with any matters involving events that occurred during your period of employment with the Company.

(b) You also agree that you will fully and timely comply with all of the covenants set forth in this subsection 12(b) (which shall survive your termination of employment and termination or expiration of this Agreement):

(i) You will fully pay off any outstanding amounts owed to the Company no later than their applicable due date or within thirty days of your Termination Date (if no other due date has been previously established);

(ii) Within five (5) days of the Termination Date, you shall return to the Company all Company property including, but not limited to, computers, cell phones, pagers, keys, business cards, etc.;

(iii) Within fifteen (15) days of the Termination Date, you will submit any outstanding expense reports to the Company on or prior to the Termination Date; and

(iv) As of the Termination Date, you will no longer represent that you are an officer, director or employee of the Company and you will immediately discontinue using your Company mailing address, telephone, facsimile machines, voice mail and e-mail;

(c) You acknowledge that (i) upon a violation of any of the covenants contained in Section 12 of this Agreement or (ii) if the Company is terminating your employment for Cause as provided in Section 6(a), the Company would as a result sustain irreparable harm, and, therefore, you agree that in addition to any other remedies which the Company may have, the Company shall be entitled to seek equitable relief including specific performance and injunctions restraining you from committing or continuing any such violation; and

(d) You agree that you will strictly adhere to and obey all Company rules, policies, procedures, regulations and guidelines, including but not limited to those contained in the Company's employee handbook, as well any others that the Company may establish including without limitation any policy the Company adopts on the recoupment of compensation ("**Clawback Policy**"). As a result, you understand and agree that you may be required to repay to the Company certain previously paid (and/or future) compensation in accordance with any such Clawback Policy and/or in accordance with applicable law. In particular, under a Clawback Policy, the Company may among other things (i) cause the cancellation of any 2011 Plan award, including the Option, (ii) require reimbursement by you of any 2011 Plan award (including the Option) or of any previously paid bonus and (iii) effect any other right of recoupment of equity or other compensation in accordance with the Clawback Policy and/or applicable law. You will also strictly adhere to all applicable state and/or federal laws and/or regulations relating to your employment with the Company.

13. ***Offset***. Any severance or other payments or benefits made to you under this Agreement may be reduced, in the Company's discretion, by any amounts you owe to the Company provided that any such offsets do not violate Code Section 409A.

14. ***Notice***. Any notice that the Company is required to or may desire to give you shall be given by personal delivery, recognized overnight courier service, email, telecopy or registered or certified mail, return receipt requested, addressed to you at your address of record with the Company, or at such

other place as you may from time to time designate in writing. Any notice that you are required or may desire to give to the Company hereunder shall be given by personal delivery, recognized overnight courier service, email, telecopy or by registered or certified mail, return receipt requested, addressed to the Company's Chief Executive Officer at its principal office, or at such other office as the Company may from time to time designate in writing. The date of actual delivery of any notice under this Section 14 shall be deemed to be the date of delivery thereof.

15. ***Waiver; Severability***. No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to by you and the Company in writing. No waiver by you or the Company of the breach of any condition or provision of this Agreement will be deemed a waiver of a similar or dissimilar provision or condition at the same or any prior or subsequent time. Except as expressly provided herein to the contrary, failure or delay on the part of either party hereto to enforce any right, power, or privilege hereunder will not be deemed to constitute a waiver thereof. In the event any portion of this Agreement is determined to be invalid or unenforceable for any reason, the remaining portions shall be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law.

16. ***Voluntary Agreement***. You acknowledge that you have been advised to review this Agreement with your own legal counsel and other advisors of your choosing and that prior to entering into this Agreement, you have had the opportunity to review this Agreement with your attorney and other advisors and have not asked (or relied upon) the Company or its counsel to represent you or your counsel in this matter. You further represent that you have carefully read and understand the scope and effect of the provisions of this Agreement and that you are fully aware of the legal and binding effect of this Agreement. This Agreement is executed voluntarily by you and without any duress or undue influence on the part or behalf of the Company.

Please acknowledge your acceptance and understanding of this Agreement by signing and returning it to the undersigned. A copy of this signed Agreement will be sent to you for your records.

ACKNOWLEDGED AND AGREED:

TRACON PHARMACEUTICALS, INC.	**H CASEY LOGAN**
/s/ Charles P. Theuer	/s/ H Casey Logan
BY: Charles P. Theuer, President and CEO	

[Signature Page to Employment Agreement]

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement ("***Amendment***") is entered into as of this 17th day of September, 2014, by and between TRACON Pharmaceuticals, Inc., a Delaware corporation with principal executive offices at 8910 University Center Drive, Suite 700, San Diego, CA 92122 (the "***Company***") and H Casey Logan ("you" or "your").

WHEREAS, the Company and you previously entered into an Employment Agreement dated as of February 18, 2013 (the "***Original Employment Agreement***") relating to your employment as the Company's Chief Business Officer;

WHEREAS, the parties desire to amend the Original Employment Agreement to better conform to applicable California law; and

WHEREAS, the Company and you have agreed to amend the Original Employment Agreement in accordance with the terms set forth below.

NOW, THEREFORE, for good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto hereby amend the Original Employment Agreement as follows:

1. Defined Terms. Capitalized terms not otherwise defined in this Amendment shall have the meanings given to such terms in the Original Employment Agreement.

2. Term. The Term of the Original Employment Agreement as referred to in Section 2 thereof is hereby defined as the period during which you are employed by the Company.

3. Proprietary Information and Inventions Agreement; Confidentiality. Section 7 of the Original Employment Agreement is stricken in its entirety. Concurrently with the execution of this Amendment, you shall execute and enter into the Employee Proprietary Information and Inventions Agreement ("***Confidentiality Agreement***") attached as Exhibit A to this Amendment. You acknowledge and agree that the Confidentiality Agreement shall apply to your entire period of employment with the Company, including all past time periods.

4. Miscellaneous.

(a) Except as amended by this Amendment, the Original Employment Agreement is effective in accordance with its terms and conditions and is hereby ratified and confirmed by the parties hereto for all purposes and in all respects.

(b) The titles of sections of this Amendment are for convenience of reference only and are not to be considered in construing this Amendment.

(c) This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all which together shall constitute one and the same instrument.

(d) A facsimile, telecopy or other reproduction of this Amendment may be executed by one or more parties hereto, and an executed copy of this Amendment may be delivered by one or more parties hereto by facsimile or similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

(e) This Amendment shall be governed by and construed in accordance with the laws of the State of California.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has caused this Amendment to Employment Agreement to be executed as of the date first set forth above.

COMPANY:

TRACON PHARMACEUTICALS, INC.

By: /s/ Charles P. Theuer
Name: Charles P. Theuer
Title: President and Chief Executive Officer

H CASEY LOGAN:

/s/ H Casey Logan

[Signature Page to Amendment to Employment Agreement]

Statement Regarding
Employee Proprietary Information and Inventions Agreement

Attached to this statement is your Employee Proprietary Information and Inventions Agreement (the "**Agreement**") with TRACON Pharmaceuticals, Inc. (the "**Company**").

Please take the time to review the Agreement carefully. It contains material restrictions on your right to disclose or use, during or after your employment, certain information and technology learned or developed by you (either alone or jointly with others) during your employment. The Company considers this Agreement to be very important to the protection of its business.

If you have any questions concerning the Agreement, you may wish to consult an attorney. Managers, legal counsel and others in the Company are not authorized to give you legal advice concerning the Agreement.

If you have read and understand the Agreement, and if you agree to its terms and conditions, please return a fully executed copy of it to the Company, retaining one copy for yourself.

Reviewed And Understood:

Date: Sept. 17, 2014

H Casey Logan
Employee Name

/s/ H Casey Logan
Employee Signature

TRACON PHARMACUETICALS, INC.

EMPLOYEE PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

1. In consideration of my continued employment by Tracon Pharmaceuticals, Inc. (the "**Company**"), I hereby agree to certain restrictions placed by the Company on my use and development of information and technology of the Company, as more fully set out below.

2. At-Will Employment. I acknowledge that the Company is an "at-will" employer and nothing in this Agreement shall be construed to imply that the term of my employment is of any definite duration. My employment may be terminated with or without cause and with or without notice. No one other than an authorized officer of the Company has the authority to alter this arrangement, to enter into an agreement for employment for a specified period of time, or to make any agreement contrary to this policy, and any such agreement must be in writing and must be signed by an authorized officer of the Company and by the affected employee.

3. Proprietary Information.

(a) Proprietary Information Defined. I understand that the term "**Proprietary Information**" in this Agreement means any and all nonpublic information, ideas and materials, in whatever form, tangible or intangible, whether disclosed to or learned or developed by me, pertaining in any manner to the business of or used by the Company (including, without limitation, any person or entity owned by, controlled by or affiliated with the Company) or to any other person or entity to whom or which the Company owes a duty of confidentiality, including, but not limited to, any trade secret, technical know-how, information, knowledge or data relating to the Company's past, present, planned or foreseeable business as more fully described in Schedule A attached hereto.

(b) Often, Proprietary Information will be stamped or otherwise marked "Confidential, "Proprietary," or with some similar designation. If any information or material is not so marked however and it meets the definition in the foregoing Section 3(a) above, it is still Proprietary Information. If I am uncertain as to whether particular information or materials are Proprietary Information, I will request the Company's written opinion as to their status. I understand that Proprietary Information does not include any information, idea or material that (i) is or becomes publicly known through lawful means and without breach of this Agreement by me; (ii) was rightfully in my possession or part of my general knowledge prior to my employment by the Company; or (iii) is disclosed to me without confidential or proprietary restrictions by a third party who rightfully possesses the information, ideas or materials (without confidential or proprietary restrictions) and did not learn of it, directly or indirectly, from the Company. Any information, idea or material will not be considered to be publicly known or in the public domain merely because it is embraced by more general information in my prior possession or the possession of others, or merely because it is expressed in public literature in general terms. Proprietary Information also does not include my general knowledge and skill obtained during the course of my employment.

(c) I acknowledge that all information generated, received or maintained by or for me on the premises or equipment of Company (including, without limitation, computer systems and electronic or voice mail systems) is Proprietary Information and the sole property of the Company, and I hereby waive any property or privacy rights I may have with respect to such information.

4. Restrictions on Use and Disclosure. I will not, during or at any time after the termination of my employment with the Company, use or reproduce any Proprietary Information, except in the course of performing my duties as an employee of the Company. I also will not disclose or deliver,

directly or indirectly, any Proprietary Information to any person or entity, except in the course of performing my duties as an employee of the Company and with the Company's consent. I will use my best efforts to prevent the unauthorized reproduction, disclosure or use of Proprietary Information by others.

5. Creations.

(a) Assignment. I hereby assign, and agree to assign, to the Company, without additional compensation, my entire right, title and interest in and to (a) all Creations, and (b) all benefits, privileges, causes of action and remedies relating to the Creations, whether before or hereafter accrued (including, without limitation, the exclusive rights to apply for and maintain all such registrations, renewals and/or extensions; to sue for all past, present or future infringements or other violations of any rights in the Creation; and to settle and retain proceeds from any such actions). The term Creations includes, but is not limited to, creations, inventions, works of authorship, ideas, processes, technology, formulas, software programs, writings, designs, discoveries, modifications and improvements, whether or not patentable or reduced to practice and whether or not copyrightable, and whether created by me alone or jointly with others, that (i) are made, conceived or developed during work hours, (ii) are developed using the Company's equipment, supplies, facilities, or trade secret information, or (iii) relate at the time of conception or reduction to practice to the Company's business, or actual or demonstrably anticipated research or development of the Company, or result from any work performed by me for the Company, whether or not made, conceived or developed during regular business hours or (iv) after termination of my employment if based on Proprietary Information. I agree that all such Creations are the sole property of the Company or any other entity designated by it, and, to the maximum extent permitted by applicable law, any copyrightable Creation will be deemed a work made for hire. I UNDERSTAND THAT THIS PARAGRAPH DOES NOT APPLY TO ANY CREATION WHICH QUALIFIES FULLY UNDER THE PROVISIONS OF SECTION 2870 OF THE LABOR CODE OF THE STATE OF CALIFORNIA, A COPY OF WHICH IS ATTACHED TO THIS AGREEMENT AS EXHIBIT 1 (Limited Exclusion Notification). I have reviewed the Limited Exclusion Notification in Exhibit 1 and agree that my signature acknowledges receipt of the notification. I understand that nothing in this Agreement is intended to expand the scope of protection provided me by Sections 2870 through 2872 of the California Labor Code.

(b) Disclosure. I agree to disclose promptly and fully in writing to my immediate supervisor at the Company, with a copy to the President, and to hold in confidence for the sole right, benefit and use of Company, any and all Creations made, conceived or developed by me (either alone or jointly with others) during my employment with the Company, or within one (1) year after the termination of my employment, whether or not I believe such Creations are subject to this Agreement, to permit a determination by the Company as to whether the Creations should be the property of the Company. Any such information will be received in confidence by the Company. I further agree to keep and maintain adequate and current written records on the development of all Creations made, conceived or developed by me (either alone or jointly with others) during my period of employment or during the one-year period following termination of my employment, which records will be available to and remain the sole property of the Company at all times.

(c) Assist with Registration. I agree that I will, at the Company's request, promptly execute a written assignment of title for any Creation required to be assigned by this Section 5. I further agree to perform, during and after my employment, all acts deemed necessary or desirable by the Company to assist it (at its expense) in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in the Creation assigned to the Company pursuant to this Section 5. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. Should the Company be unable to secure my signature on any document necessary to apply

for, prosecute, obtain, or enforce any patent, copyright, or other right or protection relating to any Creation, whether due to my mental or physical incapacity or any other cause, I hereby irrevocably designate and appoint the Company and each of its duly authorized officers and agents as my agent and attorney-in-fact, to undertake such acts in my name as if executed and delivered by me, and I waive and quitclaim to the Company any and all claims of any nature whatsoever that I may not have or may later have for infringement of any intellectual property rights in the Creations. The Company will compensate me at a reasonable rate for time actually spent by me at the Company's request on such assistance at any time following termination of my employment with the Company.

(d) License for Other Inventions. If, in the course of my employment with the Company, I incorporate into Company property an invention owned by me or in which I have an interest, the Company is hereby granted a nonexclusive, royalty-free, irrevocable, perpetual, world-wide license to make, modify, use, offer for sale, sell and import any invention as part of and in connection with the Company property.

6. Prior Creations. All inventions, works of authorship, ideas, processes, technology, formulas, software programs, writings, designs, discoveries, modifications, improvements or other creations, if any, that I made, conceived or developed (either alone or jointly with others) prior to my employment by the Company (collectively, "**Prior Creations**") are excluded from the scope of this Agreement. Set forth on Schedule B attached hereto is a complete list of all such Prior Creations that are owned by me, either alone or jointly with others. I represent and covenant that such list is complete, and I understand that by not listing an invention, work of authorship, discovery, modification, improvement or other creation I am acknowledging that such creation was not made, conceived or developed before commencement of my employment with the Company. I agree to notify the Company in writing before I make any disclosure to, or perform any work on behalf of, the Company that appears to conflict with proprietary rights I claim in any Prior Creation. If I fail to give such notice, I agree that I will make no claim against the Company with respect to any such Prior Creation.

7. Confidential Information of Others. I will not use, disclose to the Company or induce the Company to use any confidential, proprietary or trade secret information or material belonging to others which comes into my knowledge or possession at any time, nor will I use any

such information or material in the course of my employment with the Company. Except as disclosed on Schedule B to this Agreement, I have no other agreements or relationships with or commitments to any other person or entity that conflict with my obligations to the Company as an employee of the Company or under this Agreement, and I represent that my employment will not require me to violate any obligation to or confidence with another. In the event I believe that my work at the Company would make it difficult for me not to disclose to the Company any confidential, proprietary or trade secret information or materials belonging to others, I will immediately inform my supervisor. I have not entered into, and I agree I will not enter into, any oral or written agreement in conflict with this Agreement.

8. Business Relationships. I acknowledge that the Company's relationships with its employees, customers, vendors and service providers are valuable business assets. I agree that, during my employment and for one (1) year thereafter, I will not: (i) use or disclose Proprietary Information or Company trade secrets (on behalf of myself or for any third party) in order to divert or attempt to divert from the Company any business, employee, customer, vendor or service provider, through solicitation or otherwise, (ii) solicit, encourage, or cause others to solicit or encourage any employees of the Company to terminate their employment with the Company; or (iii) for the purpose of recruitment directly or indirectly make known to any person, firm, corporation or other entity the names, addresses or other confidential information which identifies or characterizes any of the Company's employees or any other information pertaining to them.

9. Government Contracts and Other Obligations. I understand that the Company has or may enter into contracts with other persons or entities, including the United States government or its agents, under which certain intellectual property rights will be required to be protected, assigned, licensed, or otherwise transferred. I hereby agree to be bound by all such agreements, and to execute such other documents and agreements as are necessary to enable the Company to meet its obligations under any such contracts.

10. Return of Materials; Termination. I hereby acknowledge and agree that all property, including, without limitation, all source code listings, books, manuals, records, models, drawings, reports, notes, contracts, lists, blueprints, and other documents or materials and all copies thereof, all equipment furnished to or prepared by me in the course of or incident to my employment, and all Proprietary Information belonging to the Company will be promptly returned to the Company upon termination of my employment with the Company for any reason or at any other time at the Company's request. Following my termination, I will not retain any written or other tangible material containing any Proprietary Information or information pertaining to any Creation. I understand that my obligations contained in this Agreement will survive the termination of my employment and I will continue to make all disclosures required of me by Section 5(b) above. I further agree not to use any Proprietary Information for my benefit or the benefit of others. In the event of the termination of my employment, I agree, if requested by the Company, to sign and deliver the Termination Certificate attached as Schedule C hereto and incorporated herein.

11. Remedies. I recognize that nothing in this Agreement is intended to limit any remedy of the Company under the California Uniform Trade Secrets Act or other federal or state law, and that I could face possible criminal and civil actions resulting in imprisonment and substantial monetary liability if I misappropriate the Company's trade secrets. In addition, I acknowledge that it may be extremely difficult to measure in money the damage to the Company of any failure by me to comply with this Agreement, that the restrictions and obligations under this Agreement are material, and that, in the event of any failure, the Company could suffer irreparable harm and significant injury and may not have an adequate remedy at law or in damages. Therefore, I agree that if I breach any provision of this Agreement, the Company will be entitled to the issuance of an injunction or other restraining order or to the enforcement of other equitable remedies against me to compel performance of the terms of this Agreement without the necessity of showing or proving it has sustained any actual damage. This will be in addition to any other remedies available to the Company in law or equity.

12. Miscellaneous Provisions.

(a) Application of this Agreement. The Company and I acknowledge that I have been engaged to provide services to the Company for a period of time prior to the date of this Agreement (the "**Prior Engagement Period**"). I agree that if and to the extent that, during the Prior Engagement Period: (i) I received access to any information from or on behalf of the Company that would have been "Proprietary Information" if I had received access to such information during the period of my employment with the Company under this Agreement; or (ii) I conceived, created, authored, invented, developed or reduced to practice any item, including any intellectual property rights with respect thereto, that would have been a "Creation" if conceived, created, authored, invented, developed or reduced to practice during the period of my employment with the Company under this Agreement; then any such information shall be deemed "Proprietary Information" hereunder and any such item shall be deemed a "Creation" hereunder, and this Agreement shall apply to such information or item as if conceived, created, authored, invented, developed or reduced to practice under this Agreement.

(b) No Waiver by Conduct or Prior Waiver. A party's delay, failure or waiver of any right or remedy under this Agreement will not impair, preclude, cancel, waive or otherwise affect such right or remedy or any subsequent rights or remedies that may arise.

(c) General Provisions. This Agreement constitutes the entire agreement between the Company and me relating generally to the same subject matter, replaces any existing agreement entered into by me and the Company relating generally to the same subject matter, and may not be changed or modified, in whole or in part, except by written supplemental agreement signed by me and the Company. I agree that any subsequent change in my duties or compensation will not affect the validity or scope of this Agreement. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement will not fail on account thereof but will otherwise remain in full force and effect. If any obligation in this Agreement is held to be too broad to be enforced, it will be construed to be enforceable to the full extent permitted by law. The obligations of this Agreement will continue beyond the termination of my employment and will be binding upon my heirs, executors, assigns, administrators, legal representatives and other successors in interest. This Agreement will inure to the benefit of the Company, its successors, assigns and affiliates. This Agreement will be governed by and construed in accordance with the laws of the State of California, without giving effect to its conflict of law rules. This Agreement may be signed in two counterparts, each of which will be deemed an original and both of which will constitute one agreement.

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I UNDERSTAND THAT I AM AN AT-WILL EMPLOYEE, AND THAT MY EMPLOYMENT MAY BE TERMINATED AT ANY TIME WITH OR WITHOUT CAUSE AND WITH OR WITHOUT NOTICE. I HAVE COMPLETELY NOTED ON SCHEDULE B TO THIS AGREEMENT ANY PROPRIETARY INFORMATION, IDEAS, PROCESSES, INVENTIONS, TECHNOLOGY, WRITINGS, PROGRAMS, DESIGNS, FORMULAS, DISCOVERIES, PATENTS, COPYRIGHTS, OR TRADEMARKS, OR IMPROVEMENTS, RIGHTS, OR CLAIMS RELATING TO THE FOREGOING, THAT I BELIEVE SHOULD BE EXCLUDED FROM THIS AGREEMENT. I HAVE ALSO NOTED ON SCHEDULE B TO THIS AGREEMENT ANY AGREEMENT OR RELATIONSHIP WITH OR COMMITMENT TO ANY OTHER PERSON OR ENTITY THAT CONFLICTS WITH MY OBLIGATIONS AS AN EMPLOYEE OF THE COMPANY.

Date: Sept 17, 2014 H Casey Logan

Employee Name

/s/ H Casey Logan

Employee Signature

SCHEDULE A

EXAMPLES OF PROPRIETARY INFORMATION

Proprietary Information includes, but is not limited to, any of the following types of information, ideas and materials:

any trade secret; technical know-how; information; data; knowledge; idea; design; formula; schematics; instrument; product; machinery; project; equipment; document; file; photograph; computer printout; drawing; manual; sketch or other visual representation; data processing or computer software technique, program or system; biological, chemical, mechanical or other invention; improvement; discovery; composition; process; part of a process; manufacturing technique; book; notebook; paper; compilation of information; record; specification; operating method; patent disclosure or patent application; list or other written record used in the Company's business; information regarding the Company's financial condition; employee personnel files and compensation and other terms of employment of the Company's employees and consultants; names and practices of any customers or potential customers of the Company and its affiliates; names, marketing methods, operating practices and related data regarding the Company's existing and potential vendors, suppliers, distributors, joint venture partners, and affiliates; the marketing methods and plans of the Company and its affiliates, licensors and licensees and related data and prices at which the Company obtains or has obtained, or at which it sells or has sold, its products or services; research, development, manufacturing and sales plans, costs and receipts of the Company; any information of the type described above which the Company has a legal obligation to treat as confidential, or which the Company treats as proprietary or designates as confidential, whether or not owned or developed by the Company; and any other information, ideas or materials relating to the past, present, planned or foreseeable business, products, developments, technology or activities of the Company.

SCHEDULE B

Prior Knowledge of Proprietary Information;
Prior Creations; Prior Commitments

1. EMPLOYEE'S DISCLOSURE OF PROPRIETARY INFORMATION

Except as set forth below, I acknowledge that at this time I know nothing about the business or Proprietary Information of the Company, other than information I have learned from the Company in the course of being hired (Check here _____ if continued on additional attached sheets):

____

2. EMPLOYEE'S DISCLOSURE OF PRIOR CREATIONS

The following information is provided in accordance with Section 6 of the Company's Employee Proprietary Information and Inventions Agreement (the "**Agreement**") executed by me.

ü I have made no inventions, discoveries or improvements prior to my employment with the Company that are owned by me, either alone or jointly with others.

____ The following is a complete and current list of all inventions, discoveries, or improvements I have made, conceived, or first reduced to practice prior to my employment with the Company, that are owned by me, alone or jointly with others, which I desire to remove from the operation of the Agreement. (Check here _____ if continued on additional attached sheets.)

3. EMPLOYEE'S DISCLOSURE OF CONFLICTING AGREEMENTS

The following information is provided in accordance with Section 7 of the Agreement:

ü I am not party to any agreement or relationships with or commitments to any other person or entity that conflict with my obligations as an employee of the Company or under the Agreement.

____ The following is a complete and current list of all agreements or relationships with or commitments to any other person or entity that conflict with my obligations as an employee of the Company under the Agreement. (Check here _____ if continued on additional attached sheets.)

Date: Sept 17, 2014

H Casey Logan
Employee Name

/s/ H Casey Logan
Employee Signature

SCHEDULE C

TERMINATION CERTIFICATE CONCERNING COMPANY'S PROPRIETARY INFORMATION AND CREATIONS

This is to certify that I have returned all property of TRACON Pharmaceuticals, Inc., a Delaware corporation (the "**Company**"), including, without limitation, all source code listings, books, manuals, records, models, drawings, reports, notes, contracts, lists, blueprints, and other documents and materials, Proprietary Information, and equipment furnished to or prepared by me in the course of or incident to my employment with the Company, and that I did not make or distribute any copies of the foregoing.

I further certify that I have reviewed the Employee Proprietary Information and Inventions Agreement (the "**Agreement**") signed by me and that I have complied with and will continue to comply with all of its terms, including, without limitation, (i) the reporting of any idea, process, invention, technology, writing, program, design, formula, discovery, patent, copyright, or trademark, or any improvement, rights, or claims related to any and all Creations, conceived or developed by me and covered by the Agreement and (ii) the preservation as confidential of all Proprietary Information pertaining to the Company. This certificate in no way limits my responsibilities or the Company's rights under the Agreement.

On termination of my employment with the Company, I will be employed by _____ **[Name of New Employer] [in the** _____ **division]** and I will be working in connection with the following projects:

[generally describe the projects]

Date: _____

H Casey Logan
Employee Name

_____
Employee Signature

EXHIBIT 1

CALIFORNIA LABOR CODE SECTIONS 2870-2872

2870. (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

2871. No employer shall require a provision made void and unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

2872. If an employment agreement entered into after January 1, 1980, contains a provision requiring the employee to assign or offer to assign any of his or her rights in any invention to his or her employer, the employer must also, at the time the agreement is made, provide a written notification to the employee that the agreement does not apply to an invention which qualifies fully under the provisions of Section 2870. In any suit or action arising thereunder, the burden of proof shall be on the employee claiming the benefits of its provisions.

Patricia Bitar, CPA

September 16, 2014

Dear Patricia,

We are pleased to offer you the position of Chief Financial Officer, a position in which you will report to the President & Chief Executive Officer. We expect that your start date of employment will be no later than September 22, 2014. The following are details of your offer:

Position:	Chief Financial Officer. Responsibilities include, but are not limited to, leadership and management of the Company's Financial Department; and other general responsibilities on behalf of the Company.
Reporting to:	Charles Theuer, President and Chief Executive Officer
Compensation:	Base Salary at the annualized rate of $250,000, to be paid in accordance with the Company's standard payroll practices. Eligibility for a discretionary annual, performance-based bonus targeted at up to 30% of base salary (prorated as applicable for 2014). The Board of Directors of the Company and senior management have the sole discretion to establish performance criteria and bonus conditions and to determine both whether you have satisfied the performance objectives and the actual amount, if any, of the annual bonus. The annual bonus, if earned, will be paid no later than March 15 of the calendar year subsequent to the bonus year. Subject to the approval of the Company's Board of Directors, you will be granted a stock option under the Company's 2011 Equity Incentive Plan to purchase 228,776 shares of the Company's outstanding common stock, with a per share exercise price equal to the fair market value of a Company common share on the date of grant as determined by the Company's Board of Directors. Vesting and other terms of this stock option will be specified in a Company standard stock option agreement which you must execute as a condition of grant.

	In addition to major holidays that the Company recognizes, you are eligible to accrue at the rate of fifteen (15) days paid vacation annually up to a maximum accrual cap of 60 days in accordance with the Company's vacation policy (prorated as applicable for 2014).
Additional:	You are entitled to all rights and benefits for which you are eligible under any benefit or other plans (including, without limitation, dental, medical, medical reimbursement and hospital plans, 401K plans, employee stock purchase plans, bonus plans and other so-called "fringe" benefits) as the Company shall make available to its employees from time to time, provided that you meet any required employee contribution(s). These benefits currently include a $4,000 health savings account contribution (for employee plus dependents health coverage) for 2014, prorated based upon your employment start date. You will be eligible to participate in the Company's Severance Plan, pursuant to which you will be eligible for six months of severance in the event of a specified and qualifying involuntary termination of employment (as defined in the Severance Plan). Your eligibility for any such severance benefits are subject to the terms and conditions of the Severance Plan and Severance Agreement (the Severance Plan and form of your Severance Agreement will be separately provided to you). You must execute the Severance Agreement in order to be eligible to

participate in the Severance Plan and such eligibility will commence only after your start date of employment and only after you have delivered the signed Severance Agreement to the Company.

Your employment with the Company is for no specified period and constitutes "at will" employment. As a result, you may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company; and the Company can terminate your employment at any time, with or without cause, and with or without notice (subject to the terms of the executed Severance Agreement). Nothing in this offer letter alters the terms of your at will employment with the Company. In addition, the Company retains the discretion to modify your other employment terms from time to time, including but not limited to your position, duties, reporting relationship, work location, compensation and benefits.

As a condition of your employment, you shall sign and comply with the Company's non-solicitation, nondisclosure and developments agreement (the "**Confidential Information Agreement**"), which is attached as ***Exhibit A***. In addition, you will be required to sign and acknowledge the Company's employment manual.

You understand and agree that by accepting this offer of employment, you represent to the Company that your performance will not breach any other agreement to which you are a party and that you have not, and will not during the term of your employment with the Company, enter into any oral or written agreement in conflict with any of the provisions of this letter or the Company's policies. You are not to bring with you to the Company, or use or disclose to any person associated with the Company, any confidential or proprietary information belonging to any former employer or other person or entity with respect to which you owe an obligation of confidentiality under any agreement or otherwise. The Company does not need and will not use such information and we will assist you in any way possible to preserve and protect the confidentiality of proprietary information belonging to third parties. Also, we expect you to abide by any obligations to refrain from soliciting any person employed by or otherwise associated with any former employer and suggest that you refrain from having any contact with such persons until such time as any non-solicitation obligation expires.

During the term of your employment, you agree that you will devote all of your business time and attention to the business of the Company, the Company will be entitled to all of the benefits and profits arising from or incident to all such work and advice, you will not render commercial or professional services of any nature to any person or organization, whether or not for compensation, without the prior written consent of the Company's Board of Directors (which will be provided or withheld in its sole discretion), and you will not directly or indirectly engage or participate in any business that is competitive in any manner with the business of the Company. Notwithstanding the foregoing, you may continue to provide certain limited consulting services to Exagen Diagnostics; *provided*, *that* such consulting services do not, in the sole discretion of the Company: (i) occupy more two (2) hours per week, and (ii) interfere or conflict with the performance of your Company duties.

You understand and agree that you are responsible for any applicable taxes of any nature (including any penalties or interest that may apply to such taxes) that the Company reasonably determines apply to any payment, benefit or equity award made to you under this offer letter (or any arrangement contemplated hereunder), that your receipt of any benefit hereunder is conditioned on your satisfaction of any applicable withholding or similar obligations that apply to such benefit, and that any cash payment owed to you hereunder will be reduced to satisfy any such withholding or similar obligations that may apply thereto.

For purposes of federal immigration law, you are required to provide appropriate documentation of your authorization to work in the United States within three (3) business days of your start date of employment, or the Company may terminate your employment (without eligibility for any Severance Plan benefits).

This offer letter, along with the Confidential Information Agreement, constitutes the full and entire understanding and agreement of the parties with regard to the subjects hereof and supersedes in their entirety all other or prior agreements, whether written or oral, with respect thereto. Once you accept the terms of this offer, and with the exception of those changes expressly reserved to the Company's discretion in this offer letter, the terms of your employment addressed herein will be subject to change and modification only by another written agreement, signed by both you and a representative of the Company authorized in writing by the Company's Board of Directors.

Patricia, your experience and accomplishments will be a strong addition to TRACON Pharmaceuticals.

Welcome aboard!

I'm very pleased to have you assume a key role on our team.

Best,

/s/ Charles P. Theuer

Charles P. Theuer, MD PhD
President & Chief Executive Officer
TRACON Pharmaceuticals, Inc.

If the foregoing terms of employment, which represent the sum total of our offer, are acceptable to you, please so indicate by countersigning and dating the attached copy of this Letter in the space provided and returning a copy to _____ no later than September 22, 2014.

/s/ Patricia L. Bitar — 9-17-2014
Patricia Bitar — Date

TRACON PHARMACEUTICALS, INC.

SEVERANCE PLAN

AND

SUMMARY PLAN DESCRIPTION

Plan Effective Date: June 2, 2014

TRACON PHARMACEUTICALS, INC.
SEVERANCE PLAN
AND
SUMMARY PLAN DESCRIPTION

The TRACON Pharmaceuticals, Inc. Severance Plan (the "**Plan**") provides severance benefits to a selected group of employees of TRACON Pharmaceuticals, Inc., a Delaware corporation (the "**Company**"). The Plan is effective for eligible employees who receive and execute a Severance Agreement (an "**Agreement**") and who otherwise satisfy the conditions set forth in such Agreement and the provisions of this Plan ("**Covered Employees**").

This Plan is designed to be an "employee welfare benefit plan," as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"). This Plan is governed by ERISA and, to the extent applicable, the laws of the State of Delaware, without reference to the conflict of law provisions thereof.

This document and your Agreement constitute both the official plan document and the required summary plan description under ERISA.

I. ELIGIBILITY

You will become a Covered Employee participant in the Plan only if you: (i) are selected by the Company to be eligible to participate in this Plan, (ii) receive and sign the Agreement (attached hereto as Exhibit A) indicating your agreement to be bound by the terms of this Plan and the Agreement and (iii) timely return such signed Agreement to the Company.

II. BENEFITS

If you are a Covered Employee, you shall be eligible for severance benefits at such times and in such amounts as may be specified in your Agreement.

III. OTHER IMPORTANT INFORMATION

A. Plan Administration. As the Plan Administrator, the Company has the full and sole discretionary authority to administer and interpret the Plan, including discretionary authority to determine eligibility for participation in and for benefits under the Plan, to determine the amount of benefits (if any) payable per participant, and to interpret any terms of this document. All determinations by the Plan Administrator will be final and conclusive upon all persons and be given the maximum possible deference allowed by law. The Plan Administrator is the "named fiduciary" of the Plan for purposes of ERISA and will be subject to the applicable fiduciary standards of ERISA when acting in such capacity. The Company may delegate in writing to any other person all or a portion of its authority or responsibility with respect to the Plan.

B. Source of Benefits. The Plan is unfunded, and all severance benefits will be paid from the general assets of the Company or its successor. No contributions are required under the Plan.

C. Claims Procedure. If you are a Covered Employee and believe you have been incorrectly denied a benefit or are entitled to a greater benefit than the benefit you received under the Plan, you may submit a signed, written application to the Company's Chief Executive Officer ("**Claims Administrator**"). You will be notified in writing of the approval or denial of this claim within ninety (90) days of the date that the Claims Administrator receives the claim, unless special circumstances require an extension of time for processing the claim. In the event an extension is necessary, you will be provided written notice prior to the end of the initial ninety (90) day period indicating the special circumstances requiring the extension and the date by which the Claims Administrator expects to notify you of approval or denial of the claim. In no event will an extension extend beyond ninety (90) days after the end of the initial ninety (90) day period. If your claim is denied, the written notification will state specific reasons for the denial, make specific reference to the Plan provision(s) on which the denial is based, and provide a description of any material or information necessary for you to perfect the claim and why such material or information is necessary. The written notification will also provide a description of the Plan's review procedures and the applicable time limits, including a statement of your right to bring a civil suit under section 502(a) of ERISA following denial of your claim on review.

You will have sixty (60) days from receipt of the written notification of the denial of your claim to file a signed, written request for a full and fair review of the denial by a review panel which will be a named fiduciary of the Plan for purposes of such review. This request should include the reasons you are requesting a review and may include facts supporting your request and any other relevant comments, documents, records and other information relating to your claim. Upon request and free of charge, you will be provided with reasonable access to, and copies of, all documents, records and other information relevant to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. A final, written determination of your eligibility for benefits shall be made within sixty (60) days of receipt of your request for review, unless special circumstances require an extension of time for processing the claim, in which case you will be provided written notice of the reasons for the delay within the initial sixty (60) day period and the date by which you should expect notification of approval or denial of your claim. This review will take into account all comments, documents, records and other information submitted by you relating to your claim, whether or not submitted or considered in the initial review of your claim. In no event will an extension extend beyond sixty (60) days after the end of the initial sixty (60) day period. If an extension is required because you fail to submit information that is necessary to decide your claim, the period for making the benefit determination on review will be tolled from the date the notice of extension is sent to you until the date on which you respond to the request for additional information. If your claim is denied on review, the written notification will state specific reasons for the denial, make specific reference to the Plan provision(s) on which the denial is based and state that you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. The written notification will also include a statement of your right to bring an action under section 502(a) of ERISA.

If your claim is initially denied or is denied upon review, you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, any document, record or other information that demonstrates that (1) your claim was denied in accordance with the terms of the Plan, and (2) the provisions of the Plan have been consistently applied to similarly situated Plan

participants, if any. In pursuing any of your rights set forth in this section, your authorized representative may act on your behalf.

If you do not receive notice within the time periods described above, whether on initial determination or review, you may initiate a lawsuit under Section 502(a) of ERISA.

D. Prior Plans Superseded. The Plan supersedes any and all prior separation, change in control, severance and salary continuation arrangements, programs and/or similar plans that may previously have been offered or provided by the Company (and its predecessors-in-interest) to Covered Employees provided, however, that an Agreement may provide for the survival of some or all of the provisions in such prior arrangements.

E. Plan Amendment or Termination. The Company reserves the right to amend or terminate the Plan at any time, in whole or in part, and in any manner, and for any reason. Notwithstanding the foregoing, unless a Covered Employee provides written consent to the contrary, any termination or amendment of the Plan will be effective only after two (2) years advance written notice to a Covered Employee if such amendment or termination would result in a reduction of benefits that the Covered Employee would have otherwise been able to receive under the pre-amended or terminated Plan.

F. At-Will Employment. No provision of the Plan is intended to provide you with any right to continue as an employee with the Company or in any other capacity, for any specific period of time, or otherwise affect the right of the Company to terminate the employment or service of any individual at any time for any reason or no reason, with or without cause.

G. Section 409A of the Internal Revenue Code. This Plan is intended to provide severance benefits pursuant to an employee welfare benefit plan subject to ERISA. The Plan is not intended to constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Internal Revenue Code ("**Code**"). Notwithstanding the foregoing, in the event this Plan or any benefit paid under this Plan to a Covered Employee is deemed to be subject to Code Section 409A, such Covered Employee consents to the Company's adoption of such conforming amendments as the Company deems advisable or necessary, in its sole discretion, to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A. Each payment made pursuant to any provision of this Plan shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Plan to Covered Employees will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Plan are exempt from or compliant with Code Section 409A. The Company will have no liability to Covered Employees or any other party if a payment or benefit under this Plan is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. The Covered Employees further understand and agree that the Covered Employees will be entirely responsible for any and all taxes on any benefits payable to the Covered Employees as a result of this Plan. In addition, if upon a Covered Employee's "separation from service" within the meaning of Code Section 409A, he or she is then a "specified employee" (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following such "separation from service" under this Plan until the earlier of (i) the first business day of the

seventh month following the Covered Employee's "separation from service," or (ii) ten (10) days after the Company receives written confirmation of the Covered Employee's death. Any such delayed payments shall be made without interest.

H. Indemnification. The Company agrees to indemnify its officers and employees and the members of the Board of Directors of the Company from all liabilities from their acts or omissions in connection with the administration, amendment or termination of the Plan, to the maximum extent permitted by applicable law.

I. Severability. If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Plan, and the Plan will be construed and enforced as if such provision had not been included.

J. Headings. Headings in this Plan document are for purposes of reference only and will not limit or otherwise affect the meaning hereof.

IV. STATEMENT OF ERISA RIGHTS

As a participant in the Plan you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants shall be entitled to:

A. Receive Information About Your Plan and Benefits

Examine, without charge, at the Plan Administrator's office and at other specified locations, such as work sites, all documents governing the Plan, including a copy of the latest annual report (Form 5500 Series) if required to be filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including copies of the latest annual report (Form 5500 Series), if required to be filed by the plan, and updated summary plan description. The Plan Administrator may impose a reasonable charge for the copies.

You will receive a summary of the plan's annual financial report, provided that the Plan is required to file an annual report (Form 5500 Series) with the U.S. Department of Labor.

B. Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

C. Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents and do not receive it within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110.00 per day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court after you have completed the Plan's administrative appeals process. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

D. Assistance With Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ADDITIONAL PLAN INFORMATION

Name of Plan:	TRACON Pharmaceuticals, Inc. Severance Plan
Employer Sponsoring Plan:	TRACON Pharmaceuticals, Inc. 8910 University Center Lane, Suite 700 San Diego, CA 92122
Employer Identification Number:	XX-XXXXXXX
Plan Number:	510
Plan Year:	Calendar Year
Plan Administrator:	TRACON Pharmaceuticals, Inc. c/o Chief Executive Officer 8910 University Center Lane, Suite 700 San Diego, CA 92122 Telephone No. 858-550-0780
Agent for Service of Legal Process:	Plan Administrator, at the above address
Type of Plan:	Employee Welfare Benefit Plan providing for severance benefits
Plan Costs:	The cost of the Plan is paid by TRACON Pharmaceuticals, Inc.
Type of Administration:	Self-administered by the Plan Administrator

IN WITNESS WHEREOF, the Company has caused this Plan to be duly executed as of June 2, 2014.

TRACON PHARMACEUTICALS, INC.

/s/ Charles P. Theuer

By: Charles P. Theuer
Title: Chief Executive Officer

Exhibit 10.9

SEVERANCE AGREEMENT

This Severance Agreement (the "**Agreement**") is entered into by and between Patricia Bitar ("**you**" or "**your**") and the Company. This Agreement has an effective date of September 22, 2014, (the "**Effective Date**"). The Board has authorized the Company to enter into this Agreement in order for you to become a Covered Employee (as defined in the Plan) and participant in the Plan as provided by the Plan. This Agreement is the Severance Agreement described in the Plan and this Agreement enumerates the Plan benefits that may be provided to you as a Covered Employee as referenced in Section II of the Plan. All provisions of this Agreement are subject to and governed by the terms of the Plan. In the event of any conflict in terms between the Plan and this Agreement, the terms of the Plan shall prevail and govern.

In consideration of the mutual covenants and promises made in this Agreement, you and the Company agree as follows:

1. ***Certain Definitions.*** In addition to terms defined elsewhere herein or in the Plan, the following terms have the following meanings when used in this Agreement:

(a) "**Board**" means the Company's Board of Directors.

(b) "**Cause**" means the occurrence of one or more of the following:

(i) Your commission of fraud or other unlawful conduct in your performance of duties for the Company;

(ii) your conviction of, or a plea of guilty or nolo contendere to, a felony or other crime (except for misdemeanors which are not materially injurious to the business or reputation of the Company or a Company affiliate); or

(iii) your willful refusal to perform in any material respect your duties and responsibilities for the Company or a Company affiliate or your failure to comply in any material respect with the terms of any agreement between you and the Company, including any proprietary information and assignment of inventions agreement or and the policies and procedures of the Company or a Company affiliate at which you are employed or serve as an officer and/or director if such refusal or failure causes or reasonably expects to cause injury to the Company or a Company affiliate;

(iv) fraud or other illegal conduct in your performance of duties for the Company or a Company affiliate;

(v) any conduct by you which is materially injurious to the Company or a Company affiliate or materially injurious to the business reputation of the Company or a Company affiliate.

The foregoing events are an exhaustive list for which your employment can be terminated by the Company for Cause for purposes of this Agreement. Prior to your termination for Cause at any time within 12 months following a Change in Control, you will be provided with written notice from the Company describing the conduct forming the basis for the alleged Cause and to the extent curable as determined by the Board in its good faith discretion, an opportunity of 15 days to cure such conduct before the Company may terminate you for Cause. If the Board determines that the Cause event is curable, you may during this 15 day period present your case to the full Board before any termination for

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Cause is finalized by the Company. Any termination for "Cause" will not limit any other right or remedy the Company may have under this Agreement or otherwise.

(c) "**Change in Control**" has the meaning as defined in the Company's 2011 Equity Incentive Plan. For purposes of this Agreement, only the first Change in Control occurring after the Effective Date will be a "Change in Control."

(d) "**Company**" shall mean TRACON Pharmaceuticals, Inc., a Delaware corporation, and shall include any successor company following a Change in Control.

(e) "**Good Reason**" means any one or more of the following events and where the initial existence of such event occurred on or after a Change in Control. This "Good Reason" definition and process is intended to comply with the safe harbor provided under Treasury Regulation Section 1.409A-1(n)(2)(ii) and shall be interpreted accordingly.

(i) You have incurred a material diminution in your responsibilities, duties or authority;

(ii) You have incurred a material diminution in your Base Salary; or

(iii) A relocation of the Company's principal place of business where you are assigned to work outside of the San Diego metropolitan area without your written consent.

(f) "**Plan**" means the TRACON Pharmaceuticals, Inc. Severance Plan, as may be amended by the Company.

(g) "**Qualifying Termination**" means that (i) your last day employment with the Company (the "**Termination Date**") occurred on or within 12 months after a Change in Control and (ii) that your termination in clause (i) was because the Company terminated your employment without Cause or because you resigned your employment for Good Reason in accordance with Section 2(c).

2. ***Consequences of Qualifying Termination of Employment.***

(a) If your employment is terminated due to a Qualifying Termination, you will be eligible to receive a severance payment equal to six months (the "**Severance Period**") multiplied by 1/12 of your annual base salary based on your salary rate as of the day before your Termination Date ("**Severance**"). The cash payments provided by this Section 2 shall be paid to you in substantially equal monthly installments, payable over the period following your Termination Date through the end of the Severance Period, provided, however, the first payment shall be made on the 60th day following the Termination Date and such first installment shall be in an amount to cover the first two months following your Termination Date.

(b) The Company shall continue to pay the Company portion of the premiums for your Company group health insurance coverage for you and your dependents for a number of months following the Termination Date equal to the applicable Severance Period provided you continue to timely pay the same portion (if any) of the necessary premium that you were responsible to pay as of immediately before your Termination Date. If it becomes unreasonable for the Company to continue to pay for this coverage for you (or imposes adverse tax consequences on you) because of changes in applicable law then the Company shall make the premium payments to you on an after-tax basis. The payments under this subsection (b) shall immediately cease once you are provided other group health insurance coverage.

(c) You may resign your employment from the Company for "Good Reason" within 12 months following a Change in Control and within ninety (90) days after the date that any one of the "Good Reason" events described in subparts (i) through (iii) of Section 1(d) above has first occurred without your written consent. Your resignation for Good Reason will only be effective if the Company has not cured or remedied the Good Reason event within 30 days after its receipt of your written notice (such notice shall describe in detail the basis and underlying facts supporting your belief that a Good Reason event has occurred). Such notice of your intention to resign for Good Reason must be provided to the Company within 45 days of the initial existence of a Good Reason event. Failure to timely provide such written notice to the Company or failure to timely resign your employment for Good Reason means that you will be deemed to have consented to and waived the Good Reason event. If the Company does timely cure or remedy the Good Reason event, then you may either resign your employment without Good Reason or you may continue to remain employed on an at-will basis.

(d) As a condition to receiving (and continuing to receive) the payments provided in Section 2(a) and (b), you must: (i) within not later than forty-five (45) days after your Termination Date, execute (and not revoke) and deliver to the Company a separation agreement and general release of all claims in substantially the form attached as Exhibit A hereto (the "**Separation Agreement**") and (ii) remain in full compliance with such Separation Agreement.

3. ***Assignability; Binding Nature.*** Commencing on the Effective Date, this Agreement will be binding upon you and the Company. This Agreement may not be assigned by you except that your rights to compensation and benefits hereunder, subject to the limitations of this Agreement, may be transferred by will or operation of law. No rights or obligations of the Company under this Agreement may be assigned or transferred except in the event of a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and assumes the Company's obligations under this Agreement contractually or as a matter of law. The Company will require any such purchaser, successor or assignee to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such purchase, succession or assignment had taken place. Your rights and obligations under this Agreement shall not be transferable by you by assignment or otherwise provided, however, that if you die, all amounts then payable to you hereunder shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there be no such designee, to your estate.

4. ***Governing Law.*** This Agreement is governed by the Employee Retirement Income Security Act of 1974, as amended, and, to the extent applicable, the laws of the State of Delaware, without reference to the conflict of law provisions thereof.

5. **Taxes.** The Company shall have the right to withhold and deduct from any payment hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment. The Company (including without limitation members of its Board) shall not be liable to you or other persons as to any unexpected or adverse tax consequence realized by you and you shall be solely responsible for the timely payment of all taxes arising from this Agreement that are imposed on you. This Agreement is intended to comply with the applicable requirements of Internal Revenue Code (the "**Code**") Section 409A and shall be limited, construed and interpreted in a manner so as to comply therewith. Each payment made pursuant to any provision of this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Agreement to you will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Agreement are exempt from or compliant with Code Section 409A. The Company

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will have no liability to you or any other party if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. In addition, if upon your Termination Date, you are then a "specified employee" (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following your Termination Date until the earlier of (i) the first business day of the seventh month following your Termination Date or (ii) ten (10) days after the Company receives written confirmation of your death. Any such delayed payments shall be made without interest. If (i) any or all of the Severance payments and benefits under this Agreement would otherwise constitute "parachute payments" as defined under Code Section 280G and (ii) the Company in its discretion elects to solicit its stockholders for their approval of putative parachute payments in accordance with Treasury Regulation Section 1.280G-1 Q&A 6, 7, then such Severance payments and benefits shall be subject to such stockholder approval and you shall cooperate with the Company in such solicitation including without limitation timely executing any required waivers of compensation.

6. ***No Change in At-Will Status.*** Your employment with the Company is and shall continue to be at-will, as defined under applicable law. If your employment terminates for any reason, you shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement or required by applicable law, or as may otherwise be established under the Company's then existing employee

benefit plans or policies at the time of termination. Nothing in this Agreement modifies your at-will employment status and either you or the Company can terminate the employment relationship at any time, with or without Cause.

7. ***Entire Agreement.*** Except as otherwise specifically provided in this Agreement, the Plan and this Agreement (and the agreements referenced herein) contain all the legally binding understandings and agreements between you and the Company pertaining to the subject matter of this Agreement and supersedes all such agreements, whether oral or in writing, previously discussed or entered into between the parties.

8. ***Covenants*** (a) As a condition of this Agreement and to your receipt of any post-employment benefits, you agree that you will fully and timely comply with all of the covenants set forth in this Section 6(a) (which shall survive your termination of employment and termination or expiration of this Agreement):

(i) You will fully comply with all obligations under the proprietary information and inventions agreement between you and the Company (as amended from time to time, the "**Confidentiality Agreement**") and further agree that the provisions of the Confidentiality Agreement shall survive any termination or expiration of this Agreement or termination of your employment or any subsequent service relationship with the Company;

(ii) Within five (5) days of the Termination Date, you shall return to the Company all Company confidential information including, but not limited to, intellectual property, etc. and you shall not retain any copies, facsimiles or summaries of any Company proprietary information;

(iii) You will not at any time during or following your employment with the Company, make (or direct anyone to make) any disparaging statements (oral or written) about the Company, or any of its affiliated entities, officers, directors, employees, stockholders, representatives or agents, or any of the Company's products or services or work-in-progress, that are harmful to their businesses, business reputations or personal reputations;

(iv) You agree that, upon the Company's request and without any payment therefore, you shall reasonably cooperate with the Company (and be available as necessary) after the Termination Date in connection with any matters involving events that occurred during your period of employment with the Company.

(b) You also agree that you will fully and timely comply with all of the covenants set forth in this Section 8(b) (which shall survive your termination of employment and termination or expiration of this Agreement):

(i) You will fully pay off any outstanding amounts owed to the Company no later than their applicable due date or within thirty days of your Termination Date (if no other due date has been previously established);

(ii) Within five (5) days of the Termination Date, you shall return to the Company all Company property including, but not limited to, computers, cell phones, pagers, keys, business cards, etc.;

(iii) Within fifteen (15) days of the Termination Date, you will submit any outstanding expense reports to the Company on or prior to the Termination Date; and

(iv) As of the Termination Date, you will no longer represent that you are an officer, director or employee of the Company and you will immediately discontinue using your Company mailing address, telephone, facsimile machines, voice mail and e-mail.

(c) You acknowledge that (i) upon a violation of any of the covenants contained in Section 8 of this Agreement or (ii) if the Company is terminating your employment for Cause, the Company would as a result sustain irreparable harm, and, therefore, you agree that in addition to any other remedies which the Company may have, the Company shall be entitled to seek equitable relief including specific performance and injunctions restraining you from committing or continuing any such violation; and

9. ***Offset***. Any Severance or other payments or benefits made to you under this Agreement may be reduced, in the Company's discretion, by any amounts you owe to the Company provided that any such offsets do not violate Code Section 409A. To the extent you receive severance or similar payments and/or benefits under any other Company plan, program, agreement, policy, practice, or the like, or under the WARN Act or similar state law, the payments and benefits due to you under this Agreement will be correspondingly reduced on a dollar-for-dollar basis (or vice-versa) in a manner that complies with Code Section 409A.

10. ***Notice.*** Any notice that the Company is required to or may desire to give you shall be given by personal delivery, recognized overnight courier service, email, telecopy or registered or certified mail, return receipt requested, addressed to you at your address of record with the Company, or at such other place as you may from time to time designate in writing. Any notice that you are required or may desire to give to the Company hereunder shall be given by personal delivery, recognized overnight courier service, email, telecopy or by registered or certified mail, return receipt requested, addressed to the Company's Chief Executive Officer at its principal office, or at such other office as the Company may from time to time designate in writing. The date of actual delivery of any notice under this Section 10 shall be deemed to be the date of delivery thereof.

11. ***Waiver; Severability.*** No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to by you and the Company in writing. No waiver by you or the

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Company of the breach of any condition or provision of this Agreement will be deemed a waiver of a similar or dissimilar provision or condition at the same or any prior or subsequent time. Except as expressly provided herein to the contrary, failure or delay on the part of either party hereto to

enforce any right, power, or privilege hereunder will not be deemed to constitute a waiver thereof. In the event any portion of this Agreement is determined to be invalid or unenforceable for any reason, the remaining portions shall be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law.

12. ***Voluntary Agreement.*** You acknowledge that you have been advised to review this Agreement with your own legal counsel and other advisors of your choosing and that prior to entering into this Agreement, you have had the opportunity to review this Agreement with your attorney and other advisors and have not asked (or relied upon) the Company or its counsel to represent you or your counsel in this matter. You further represent that you have carefully read and understand the scope and effect of the provisions of this Agreement and that you are fully aware of the legal and binding effect of this Agreement. This Agreement is executed voluntarily by you and without any duress or undue influence on the part or behalf of the Company.

By signing below, you expressly acknowledge that you (i) have received a copy of the Plan and its Summary Plan Description, (ii) understand the terms of the Plan and this Agreement, (iii) are voluntarily entering into this Agreement and (iv) are agreeing to be bound by the terms of the Plan and this Agreement.

Please acknowledge your acceptance and understanding of this Agreement by signing and returning it to the undersigned. A copy of this signed Agreement will be sent to you for your records.

ACKNOWLEDGED AND AGREED:

TRACON PHARMACEUTICALS, INC.	**PATRICIA BITAR**
/s/ Charles P. Theuer	/s/ Patricia L. Bitar
BY: Charles P. Theuer, President and CEO	

[Signature Page to Severance Agreement]

EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE OF ALL CLAIMS

This Separation Agreement and General Release, dated [DATE] (the "**Agreement**"), is made pursuant to that certain Severance Agreement dated [DATE], 2014 (the "**Severance Agreement**") entered into by and between Patricia Bitar ("**Employee**") on the one hand, and TRACON Pharmaceuticals, Inc. (the "**Company**"), on the other. This Agreement is entered into in consideration for and as condition precedent to the Company providing separation benefits to Employee pursuant to the Severance Agreement. It is understood and agreed that the Company is not otherwise obligated to provide such benefits under the terms of the Severance Agreement and that the Company is doing so as a direct result of Employee's willingness to agree to the terms hereof. Collectively, Employee and the Company shall be referred to as the "**Parties**."

1. Employee was formerly employed by the Company. Employee's employment with the Company ended effective [DATE] (the "**Termination Date**").

2. The purpose of this Agreement is to resolve any and all disputes relating to Employee's employment with the Company, and the termination thereof (the "**Disputes**"). The Parties desire to resolve the above-referenced Disputes, and all issues raised by the Disputes, without the further expenditure of time or the expense of contested litigation. Additionally, the Parties desire to resolve any known or unknown claims as more fully set forth below. For these reasons, they have entered into this Agreement.

3. Employee acknowledges and agrees that Employee has received all wages due to Employee through the Termination Date, including but not limited to all accrued but unused vacation, bonuses, commissions, options, benefits, and monies owed by the Company to Employee. Employee further agrees and acknowledges that Employee has been fully paid and reimbursed for any and all business expenses which Employee incurred during his/her employment with the Company.

4. The Company expressly denies any violation of any federal, state or local statute, ordinance, rule, regulation, policy, order or other law. The Company also expressly denies any liability to Employee. This Agreement is the compromise of disputed claims and nothing contained herein is to be construed as an admission of liability on the part of the Company hereby released, by whom liability is expressly denied. Accordingly, while this Agreement resolves all issues referenced herein, it does not constitute an adjudication or finding on the merits of the allegations in the Disputes and it is not, and shall not be construed as, an admission by the Company of any violation of federal, state or local statute, ordinance, rule, regulation, policy, order or other law, or of any liability alleged in the Disputes.

5. In consideration of and in return for the promises and covenants undertaken by the Company and Employee herein and the releases given by Employee herein:

a. [The Company has previously granted to Employee the following options (collectively, the "**Options**") to purchase shares of the Company's common stock (the "**Shares**") under the Company's 2011 Equity Incentive Plan (the "**Plan**"): [List all Option Grants]. As of the Termination Date of [DATE], a total of [_____] shares underlying Employee's stock options are vested (collectively, the "**Vested Stock Options**"). The remaining shares underlying Employee's stock options are unvested and have been forfeited and canceled as of the Termination Date. Employee has until the date that is ninety (90) days after the Termination Date to exercise any or all of the Vested Options (the "**Option**

Termination Date"). Any portion of Employee's Vested Stock Options that remain unexercised as of the Option Termination Date shall be forfeited and canceled as of such date.]

b. In addition to any compensation otherwise due Employee for actual work performed up to and including the Termination Date, Employee shall receive severance compensation as outlined in Section 2(a) of the Severance Agreement. Pursuant to Section 2(a) of the Severance Agreement, Employee will receive a total sum of $_____, less standard withholdings, representing [_____] month[s] of Employee's base salary (the "**Severance Pay**"). The Severance Pay shall be paid to Employee in cash, in substantially equal monthly installments, payable over the [_____] month period following the Termination Date; provided, however, the first payment shall be made on the 60th day following the Termination Date and such first installment shall be in an amount to cover the first two months following the Termination Date (for avoidance of doubt such amount may only be one month of compensation if the amount being provided to Employee is arising under Section 2(a)(i) of the Severance Agreement). As a condition to receiving and continuing to receive the Severance Pay, Employee must (i) within but not later than forty-five (45) days after the Termination Date, execute (and not revoke) and deliver to the Company this Agreement and (ii) remain in full compliance with this Agreement and the Severance Agreement. Employee shall not be entitled to accrue any additional leave or other benefits subsequent to the Termination Date.

c. Provided Employee timely elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**") of the Company's group health plan, the Company shall pay the entire applicable premiums to continue Employee's existing medical and dental benefits through [DATE], which represents [_____] month[s] following the Termination Date. Thereafter, Employee shall be eligible to continue his or her medical and dental benefits at his or her own cost in accordance with COBRA. If at any time subsequent to the Termination Date, Employee obtains medical and dental benefits through another employer, Employee shall immediately notify the Company that he or she has obtained such medical and dental benefits and the Company shall no longer be required to pay any premiums for Employee's medical and dental benefits as of the date that Employee's new medical and dental benefits begin coverage.

d. Any tax liabilities resulting from or arising out of the benefits to Employee referred to in paragraphs 5a, 5b and 5c, above, shall be the sole and exclusive responsibility of Employee. Employee agrees to indemnify and hold the Company and the others released herein harmless from and for any tax liability (including, but not limited to, assessments, interest, and penalties) imposed on the Company by any taxing authority on account of the Company failing to withhold for tax purposes any amount from the benefits made as consideration of this Agreement.

6. Except for any rights created by this Agreement, in consideration of and in return for the promises and covenants undertaken herein by the Company, and for other good and valuable consideration, receipt of which is hereby acknowledged:

a. Employee does hereby acknowledge full and complete satisfaction of and does hereby release, absolve and discharge the Company, and each of its parents, subsidiaries, divisions, related companies and business concerns, past and present, as well as each of its partners, trustees, directors, officers, agents, attorneys, servants and employees, past and present, and each of them (hereinafter collectively referred to as "**Releasees**") from any and all claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, grievances, wages, vacation payments, severance payments, obligations, commissions, overtime payments, debts, profit sharing claims, expenses, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise, whether known or unknown to Employee which Employee now owns or holds or has at any time owned or held as against Releasees, or any of them, including specifically but not exclusively and without limiting the generality of the foregoing, any and all claims, demands, grievances, agreements, obligations and causes of action, known or unknown, suspected or unsuspected by Employee: (1) arising out of or in any way connected with the Disputes; or (2) arising out of Employee's employment with the Company; or (3) arising out of

or in any way connected with any claim, loss, damage or injury whatever, known or unknown, suspected or unsuspected, resulting from any act or omission by or on the part of the Releasees, or any of them, committed or omitted on or before the Effective Date hereof. Additionally, Employee in any future claims may not use against Releasees as evidence any acts or omissions by or on the part of the Releasees, or any of them, committed or omitted on or before the Effective Date hereof, and no such future claims may be based on any such acts or omissions. Also without limiting the generality of the foregoing, Employee specifically releases the Releasees from any claim for attorneys' fees. EMPLOYEE ALSO SPECIFICALLY AGREES AND ACKNOWLEDGES EMPLOYEE IS WAIVING ANY RIGHT TO RECOVERY BASED ON STATE OR FEDERAL AGE, SEX, PREGNANCY, RACE, COLOR, NATIONAL ORIGIN, MARITAL STATUS, RELIGION, VETERAN STATUS, DISABILITY, SEXUAL ORIENTATION, MEDICAL CONDITION OR OTHER ANTI-DISCRIMINATION LAWS, INCLUDING, WITHOUT LIMITATION, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE EQUAL PAY ACT, THE AMERICANS WITH DISABILITIES ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, THE CALIFORNIA FAMILY RIGHTS ACT, CALIFORNIA LABOR CODE SECTION 970, THE FAMILY AND MEDICAL LEAVE ACT, THE EMPLOYEE RETIREMENT INCOME SECURITY ACT, THE WORKER ADJUSTMENT AND RETRAINING ACT, THE FAIR LABOR STANDARDS ACT, AND ANY OTHER SECTION OF THE CALIFORNIA LABOR OR GOVERNMENT CODE, ALL AS AMENDED, WHETHER SUCH CLAIM BE BASED UPON AN ACTION FILED BY EMPLOYEE OR BY A GOVERNMENTAL AGENCY. This release does not release claims that cannot be released as a matter of law.

7. Employee agrees and understands as follows: It is the intention of Employee in executing this instrument that it shall be effective as a bar to each and every claim, demand, grievance and cause of action hereinabove specified. In furtherance of this intention, Employee hereby expressly waives any and all rights and benefits conferred upon Employee by the provisions of Section 1542 of the California Civil Code and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. Section 1542 provides:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

Having been so apprised, Employee nevertheless hereby voluntarily elects to and does waive the rights described in Civil Code section 1542 and elects to assume all risks for claims that now exist in Employee's favor, known or unknown, that are released under this Agreement.

8. Employee agrees: (l) the fact of and the terms and conditions of this Agreement; and (2) any and all actions by Releasees taken in accordance herewith, are confidential, and shall not be disclosed, discussed, publicized or revealed by the parties or their attorneys to any other person or entity, including but not limited to radio, television, press media, newspapers, magazines, professional journals and professional reports, excepting only the Parties' accountants, lawyers, immediate family members (mother, father, brother, sister, child, spouse), the persons necessary to carry out the terms of this Agreement or as required by law. Should Employee be asked about the Disputes or this Agreement, Employee shall limit Employee's response, if any, by stating that the matters have been amicably resolved.

9. In the event a government agency files or pursues a charge or complaint relating to Employee's employment with the Company and/or the Disputes, Employee agrees not to accept any monetary or other benefits arising out of the charge or complaint.

10. Employee agrees not to make any derogatory, disparaging or negative comments about the Company, its products, officers, directors, or employees.

11. If any provision of this Agreement or application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provision or application. To this end, the provisions of this Agreement are severable.

12. Employee agrees and understands that this Agreement may be treated as a complete defense to any legal, equitable, or administrative action that may be brought, instituted, or taken by Employee, or on Employee's behalf, against the Company or the Releasees, and shall forever be a complete bar to the commencement or prosecution of any claim, demand, lawsuit, charge, or other legal proceeding of any kind against the Company and the Releasees.

13. This Agreement and all covenants and releases set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their legal successors, heirs, assigns, partners, representatives, parent companies, subsidiary companies, agents, attorneys, officers, employees, directors and shareholders.

14. The Parties hereto acknowledge each has read this Agreement, that each fully understands its rights, privileges and duties under the Agreement, that each has had an opportunity to consult with an attorney of its choice and that each enters this Agreement freely and voluntarily.

15. This Agreement may not be released, discharged, abandoned, changed or modified in any manner, except by an instrument in writing signed by Employee and an officer of the Company. The failure of any Party to enforce at any time any of the provisions of this Agreement shall in no way be construed as a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

16. This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party hereto because that party drafted or caused that party's legal representative to draft any of its provisions.

17. In the event of litigation arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs.

18. Employee acknowledges Employee may hereafter discover facts different from, or in addition to, those Employee now knows or believes to be true with respect to the claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, wages, obligations, debts, expenses, damages, judgments, orders and liabilities herein released, and agrees the release herein shall be and remain in effect in all respects as a complete and general release as to all matters released herein, notwithstanding any such different or additional facts.

19. The undersigned each acknowledge and represent that no promise or representation not contained in this Agreement has been made to them and acknowledge and represent that this Agreement and the Severance Agreement contains the entire understanding between the Parties

and contains all terms and conditions pertaining to the compromise and settlement of the subjects referenced herein. The undersigned further acknowledge that the terms of this Agreement are contractual and not a mere recital.

20. Employee expressly acknowledges, understands and agrees that this Agreement includes a waiver and release of all claims which Employee has or may have under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §621, et seq. ("**ADEA**"). The terms and conditions of Paragraphs 20 through 22 apply to and are part of the waiver and release of ADEA claims under this Agreement. Company hereby advises Employee in writing to discuss this Agreement with an attorney before signing it. Employee acknowledges the Company has provided Employee at least forty-five days within which to review and consider this Agreement before signing it. If Employee elects not to use all

forty-five days, then Employee knowingly and voluntarily waives any claim that Employee was not in fact given that period of time or did not use the entire forty-five days to consult an attorney and/or consider this Agreement.

21. Within three calendar days of signing and dating this Agreement, Employee shall deliver the signed original of this Agreement to [_____] of the Company. However, the Parties acknowledge and agree that Employee may revoke this Agreement for up to seven calendar days following Employee's execution of this Agreement and that it shall not become effective or enforceable until the revocation period has expired. The Parties further acknowledge and agree that such revocation must be in writing addressed to and received by [_____]of the Company not later than midnight on the seventh day following execution of this Agreement by Employee. If Employee revokes this Agreement under this Paragraph, this Agreement shall not be effective or enforceable and Employee will not receive the benefits described above, including those described in Paragraph 5.

22. If Employee does not revoke this Agreement in the timeframe specified in Paragraph 21 above, the Agreement shall be effective at 12:00:01 a.m. on the eighth day after it is signed by Employee (the "**Effective Date**").

23. This Agreement is intended to be exempt from the requirements of section 409A of the Internal Revenue Code of 1986 as amended ("**Section 409A**") and will be interpreted accordingly. While it is intended that all payments and benefits provided under this Agreement to Employee or on behalf of Employee will be exempt from Section 409A, the Company makes no representation or covenant to ensure that such payments and benefits are exempt from or compliant with Section 409A. The Company will have no liability to Employee or any other party if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt from or compliant with Section 409A.

24. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original and such counterparts shall together constitute one and the same Agreement.

25. This Agreement shall be construed in accordance with, and be deemed governed by, the Employee Retirement Income Security Act of 1974, as amended, and, to the extent applicable, the laws of the State of Delaware, without reference to the conflict of law provisions thereof.

26. The Company executes this Agreement for itself and on behalf of all other respective Releasees.

I have read the foregoing Separation Agreement and General Release of All Claims, consisting of [____] pages, and I accept and agree to the provisions contained therein and hereby execute it voluntarily and with full understanding of its consequences.

PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

Dated: _____

_____
PATRICIA BITAR

TRACON
Pharmaceuticals, Inc.

Dated: _____

_____
Name:
Title:

[Signature Page to Separation Agreement and General Release of All Claims]

THE AVENTINE

OFFICE LEASE

This Office Lease (the "**Lease**"), dated for reference purposes only as of the date set forth in Section 1 of the Summary of Basic Lease Information (the "**Summary**"), below, is made by and between GLENBOROUGH AVENTINE, LLC, a Delaware limited liability company ("**Landlord**"), and TRACON PHARMACEUTICALS, INC., a Delaware corporation ("**Tenant**").

SUMMARY OF BASIC LEASE INFORMATION

TERMS OF LEASE		DESCRIPTION
1.	Lease Reference Date:	February 10, 2011
2.	Premises (Article 1).	
2.1	Building Address & Rentable Area:	8910 University Center Lane, San Diego, CA 92122, in the Building known as "The Aventine." The mixed-use development of which the Building is a part is also referred to, collectively, as "The Aventine." Rentable square feet: approximately 217,156.
2.2	Premises:	Approximately 3,548 rentable square feet of space located on the seventh (7th) floor of the Building and commonly known as Suite 700, as further set forth in **Exhibit A** to the Office Lease.
3.	Lease Term (Article 2).	
3.1	Length of Term:	36 months (plus any partial month prior to March 1, 2011).
3.2	Commencement Date:	Upon full and final execution and delivery of the Lease, provided, however, subject to the Base Rent abatement provisions as set forth in Section 4 below, Tenant's obligation to pay Rent shall not commence until March 1, 2011. By way of example, if the Lease is executed on February 8, 2011, Tenant shall not be obligated to pay rent until March 1, 2011.
3.3	Expiration Date:	February 28, 2014.

4. Base Rent (Article 3):

Period During Lease Term	Monthly Installment of Base Rent
March 1, 2011 – February 29, 2012	$7,983.00 *
March 1, 2012 – February 28, 2013	$8,222.49 *
March 1, 2013 – February 28, 2014	$8,469.16 *

* Notwithstanding anything herein to the contrary, so long as Tenant is not in default under the Lease, beyond any applicable notice and cure period, Tenant's Base Rent shall be abated by $7,983.00 for the month of March, 2011, by $8,222.49 for the month of March, 2012, and by $8,469.16 for the month of March, 2013. Nothing herein shall be construed as abating any Additional Rent or other sums due under the Lease.

5.	Base Year (Article 4):	Calendar year 2011.
6.	Tenant's Share (Article 4):	Approximately 1.63%.
7.	Permitted Use (Article 5):	General office use consistent with a first-class office building, but not for use as a medical office, dental office, government office, call center or server farm, or for any high density or high pedestrian traffic use.

8.	Security Deposit (Article 21):	$7,983.00.
9.	Parking Spaces (Article 28):	Up to eleven (11) unreserved parking spaces, of which, subject to the terms of Article 28 of the Lease, zero (0) spaces shall be for the use of a reserved parking space. Tenant shall only be charged for parking spaces actually utilized. During the initial Term of this Lease, the charge for parking shall be $50.00 per month per unreserved parking space. Tenant shall pay a one-time non-refundable charge in the amount of $40.00 (subject to adjustment from time to time by Landlord) per parking space for a transmitter to open the parking garage gate.
10.	Address of Tenant (Section 29.18):	Tracon Pharmaceuticals, Inc. 8910 University Center Lane, Suite 700 San Diego, CA 92122

11.	Address of Landlord (Section 29.18):	Glenborough Aventine, LLC c/o Glenborough 400 South El Camino Real, Suite 1100 San Mateo, CA 94402-1708 ATTN: Legal Department
12.	Rent Payment Address (Article 3)	Glenborough Aventine, LLC P.O. Box 82562 Goleta, CA 93118-2562
13.	Broker(s) (Section 29.24):	Landlord's Broker: Cushman & Wakefield of San Diego, Inc. 4435 Eastgate Mall, Suite 200 San Diego, CA 92121 and Tenant's Broker: Irving Hughes 655 West Broadway, Suite 1650 San Diego, CA 92101
14.	Guarantor:	None.
15.	Tenant Improvement Allowance (Exhibit D)	None. Tenant to accept the Premises in their "as-is" condition with no alterations, additions, or improvements promised by Landlord. Tenant intends to perform minor alterations in the Premises consisting of removing existing built-in shelving and millwork ("Tenant's Work"). Tenant's contractor shall provide all insurance required by Landlord's Property Manager and shall name Landlord as additional insured. Landlord hereby consents to such Tenant's Work.
16.	Additional Insured (Section 10.4):	Property Manager: Glenborough Aventine, LLC, a Delaware limited liability company; Glenborough, LLC, a Delaware limited liability company; Glenborough Fund XII, LLC, a Delaware limited liability company, and together with the Related Parties listed in Section 10.4 of the Lease.

17.	Exhibits:	Exhibit A – Outline of Premises Exhibit B – Rules & Regulations Exhibit C – Form of Notice of Lease Term Dates

Exhibit D – Not Applicable.

Exhibit E – Form of Tenant's Estoppel Certificate

ARTICLE 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. Subject to Section 1.2, below, Landlord and Tenant hereby acknowledge and agree that the rentable square footage of the Premises shall be as set forth in Section 2.2 of the Summary. 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 and that this Lease is made upon the condition of such performance. The parties hereto hereby acknowledge that the purpose of **Exhibit A** is to show the approximate location of the Premises in the "Building," as that term is defined in Section 1.1.2, below, only, and such Exhibit is not meant to constitute an agreement, representation or warranty as to the construction or configurations 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 access ways to the Premises or the "Project," as that term is defined in Section 1.1.2, below. Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises beyond their existing condition and configuration as of the date of full and final execution and delivery of this Lease and Tenant accepts the Premises in their "as-is" condition. 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. The taking of possession of the Premises by Tenant shall conclusively establish that the Premises and the Building were at such time in good and sanitary order, configuration, condition and repair.

1.1.2 **The Building and The Project**. The Premises are a part of the building set forth in Section 2.1 of the Summary (the "**Building**"). The Building is part of a mixed use project also currently known as "The Aventine." The term "**Project,**" as used in this Lease, shall mean (i) the Building and the Common Areas, (ii) the land (which may be improved with landscaping, above ground and subterranean parking facilities and other improvements) upon which the Building and the Common Areas are located, (iii) those certain other buildings or facilities located in the vicinity of the Building and commonly known as **Aventine Hotel, The Sporting Club, and Restaurant Court Parcel**, and (iv) at Landlord's discretion, any additional real property, areas, land, buildings or other improvements added thereto whether inside or outside of the current boundaries of the Project.

1.1.3 **Common Areas**. Tenant shall have the non-exclusive right to use in common with other tenants, guests, invitees and owners at 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 (such areas, together with such other portions of the Project designated by Landlord, in its discretion, including certain areas designated for the exclusive use of certain tenants, or to be shared by Landlord and certain tenants or other owners, are collectively referred to herein as the "**Common Areas**"). The Common Areas shall consist of the "Project Common Areas" and the "Building Common Areas." The term "**Project Common Areas,**" as used in this Lease, shall mean the Common Areas external to the Building but serving the Building's tenants and any other portions of the Project reasonably designated as such by Landlord. The term "**Building Common Areas,**" as used in this Lease,

shall mean the portions of the Common Areas located within the Building (e.g. lobby, corridors, elevators) or in its immediate surround (e.g. walkways, landscaping for the Building) or reasonably designated as such by Landlord. The manner in which the Common Areas are maintained, operated, and made available shall be at the sole discretion of Landlord and the use thereof shall be subject to such rules, regulations and restrictions as Landlord may 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.

1.2 **Verification of Rentable Square Feet of Premises and Building**. For purposes of this Lease, the "**rentable square feet**" of the Premises shall be measured using the Standard Method for Measuring Floor Area in Office Buildings, ANSI Z65.1 - 1996 ("**BOMA**") as a guideline. In the event that the rentable area and/or usable area of the Premises, the Building and/or the Project shall hereafter change due to (i) a re-measurement and/or recalculation by Landlord of the rentable area and/or usable area of all premises in the Building on a uniform basis or (ii) subsequent alterations and/or other modifications to the Premises, the Building and/or the Project, then the rentable area and/or usable area of the Premises, the Building and/or the Project, as the case may be, shall be appropriately adjusted as of the date of such re-measurement or such alteration and/or other modification, respectively, based upon the written verification by Landlord's space planner or Landlord's space management firm of such revised rentable area and/or usable area. In the event of any such adjustment to the rentable area and/or usable area of the Premises, the Building and/or the Project, all amounts, percentages and figures appearing or referred to in this Lease based upon such rentable area and/or usable area (including the amount of the "Rent" and any "Security Deposit," as those terms are defined in Article 4 and Article 21 of this Lease, respectively) shall be modified in accordance with such determination. If other floors of the Building are in shell condition, the load factor may vary. Premises which are not yet demised (common area corridors and/or boundary walls have not been fully constructed) are subject to re-

measurement upon completion of construction, and load factors (rentable vs. usable area) are subject to re-calculation upon completion of tenant improvements on the floor on which the Premises are located and/or on conversion of floors from single to multi-tenant use and vice versa.

ARTICLE 2

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 "**Commencement Date**"), and shall terminate on the date set forth in Section 3.3 of the Summary (the "**Expiration Date**") unless this Lease is sooner terminated as hereinafter provided. If Landlord is delayed in delivering possession of the Premises to Tenant for any reason other than Landlord's willful refusal to deliver the Premises when Landlord is otherwise reasonably capable of such delivery, then Landlord shall not be subject to any liability whatsoever to Tenant for such delay, and such failure shall not impair the validity of this Lease or the obligations of Tenant hereunder. For purposes of this Lease, the term "**Lease Year**" shall mean each consecutive twelve (12) month period during the Lease Term; provided that, if the Commencement Date shall be other than the first day of a calendar month, then the first Lease Year shall commence on the Commencement Date and shall end on February 29, 2012; and further provided that, the last Lease Year shall end on the Expiration Date. 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. Tenant's failure to execute and return such Notice to Landlord within such time shall be conclusive upon Tenant that the information set forth in such Notice is as set forth therein.

ARTICLE 3

BASE RENT

Tenant shall pay, without prior notice or demand, to Landlord at the Rent Payment Address set forth in Section 12 of the Summary, or, at Landlord's sole option, at such other place as Landlord may from time to time designate in writing, by a check or generally accepted electronic funds transfer alternative (*e.g.*, ACH) 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. Base Rent for the first full month of the Lease Term which occurs after the expiration of any free rent period shall be paid at the time of Tenant's execution of this Lease. Base Rent for any initial partial calendar month shall be payable on delivery of the Premises. If any Rent payment date (including the 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 be a proportionate amount of a full calendar month's Rent based on the proportion that the number of days in such fractional month bears to the number of days in the calendar month during which such fractional month occurs. All other payments or adjustments required to be made under the terms of this Lease or any future extension or amendment hereof that require proration on a time basis shall be prorated on the same basis.

ARTICLE 4

ADDITIONAL RENT

4.1 **General Terms**. In addition to paying the Base Rent specified in Article 3 of this Lease, Tenant shall pay (a) "Tenant's Share," as that term is defined in Section 4.2.7 of this Lease, of the annual "Insurance Expenses," as that term is defined in Sections 4.2.4 of this Lease, which are in excess of the amount of Insurance Expenses applicable to the "Base Year," as that term is defined in Section 4.2.1 of this Lease, plus (b) Tenant's Share of the annual "Operating Expenses," as that term is defined in Section 4.2.5 of this Lease, which are in excess of the amount of Operating Expenses applicable to the Base Year, plus (c) Tenant's Share of the annual "Tax Expenses," as that term is defined in Section 4.2.6 of this Lease, which are in excess of the amount of Tax Expenses applicable to the Base Year; provided, however, in no event shall any decrease in Insurance Expenses, Operating Expenses or Tax Expenses, as the case may be, for any "Expense Year," as that term is defined in Section 4.2.3 of this Lease, below Insurance Expenses, Operating Expenses or Tax Expenses, respectively, for the Base Year entitle Tenant to any decrease in Base Rent or any credit against any Additional Rent or other sums due under this Lease. 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.

4.2 **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 "**Base Year**" shall mean the period set forth in Section 5 of the Summary.

4.2.2 "**Direct Expenses**" shall mean "Insurance Expenses," "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.

4.2.4 "**Insurance Expenses**" shall mean the cost of all insurance (including premiums, deductibles, insurance brokerage fees and risk manager fees) carried by Landlord in connection with the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Project Common Areas). Landlord may carry some or all of the said insurance under a blanket policy or policies which cover other properties owned or managed by Landlord or any affiliates of Landlord, in which event Insurance Expenses shall include an equitable allocation of the cost of such insurance, as determined by Landlord. In the event Landlord adds or discontinues any special risk insurance, such as earthquake insurance, during the Term, then the Base Year and any applicable Expense Years shall each be adjusted by such addition or discontinuance. In the event Landlord self-insures any risks, the costs thereof shall be treated as insurance premiums provided that such costs do not exceed third-party insurance premiums for comparable coverage.

4.2.5 "**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, monitoring, repair, replacement, restoration or operation of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the building (e.g., Common Areas). 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, maintaining, and renovating 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 may affect Operating Expenses, and the costs incurred in connection with a governmentally mandated transportation system management program or similar program; (iii) the cost of landscaping, relamping, and all supplies, tools, equipment and materials used in the operation, repair and maintenance of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas); (iv) the cost of parking area operation, repair, restoration, and maintenance; (v) fees and other costs, including 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 Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the building (e.g., Common Areas); (vi) payments under any equipment rental agreements and the fair rental value of any management office space; (vii) subject to item (f), below, wages, salaries and other compensation and benefits, including taxes levied thereon, of all persons engaged in the operation, maintenance, property accounting, and monitoring of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas); (viii) payments under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the sharing of costs by the Building or the Project, including any covenants, conditions and restrictions affecting the property, and reciprocal easement agreements affecting the property, any parking licenses, and any agreements with transit agencies affecting the Property (collectively, "**Underlying Documents**"); (ix) operation, repair, maintenance and replacement of all systems and equipment and components thereof of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas); (x) the cost of janitorial, alarm, attendant, 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 roof membranes and re-roofing; (xi) amortization (including interest on the unamortized cost) over such period of time as Landlord shall reasonably determine, of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas); (xii) the cost of capital improvements or other costs incurred in connection with the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas) (A) which are intended to effect economies in operation or maintenance, or to reduce current or future Operating Expenses or to enhance the fire/life-safety systems, access control, or monitoring, (B) that 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) that are required under any governmental law or regulation effective or enacted after the Commencement Date; provided, however, that any capital expenditure shall be amortized (including interest on the amortized cost) over the useful life of such capital expenditure as reasonably determined by Landlord; and (xiii) 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, and (xiv) cost of tenant relation programs reasonably established by Landlord. 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 Building, 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 Building after the Commencement Date or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Building (excluding, however, such costs relating to any Common Areas);

(b) except as set forth in items (x), (xi), and (xii) above, depreciation, interest and principal payments on mortgages and other debt costs, if any, penalties and interest, costs of capital repairs and alterations, and costs of capital improvements and equipment;

(c) costs for which the Landlord is reimbursed by any tenant or occupant of the Project and/or Building or by insurance by its carrier or any tenant's carrier or by anyone else, and electric power costs for which any tenant directly contracts with the local public service company or directly reimburses Landlord;

(d) any bad debt loss, rent loss, or reserves for bad debts or rent loss;

(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 Building (but Direct Expenses shall specifically include, but not be limited to, accounting costs associated with the operation of the Building). 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 Building, and costs incurred in connection with any disputes between Landlord and its employees, between Landlord and property 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 Building unless such wages and benefits are prorated to reflect time spent on operating and managing the Building vis-à-vis time spent on other projects;

(g) amount paid as ground rental for the Building by the Landlord;

(h) except for a property management fee, overhead and profit increment paid to Landlord or to subsidiaries or affiliates of the Landlord for services to the extent the costs thereof exceed those rendered by qualified, first-class unaffiliated third parties;

(i) any compensation paid to clerks, attendants or other persons in commercial concessions operated by the Landlord (which shall specifically exclude the parking facilities), provided that any compensation paid to any concierge at the parking lot serving the Building shall be includable as an Operating Expense;

(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 Building which is used in providing janitorial or similar services and, further excepting from this exclusion such equipment rented or leased to remedy or ameliorate an emergency condition at the Building or affecting Common Areas;

(k) all items and services for which Tenant or any other tenant directly and fully reimburses Landlord;

(l) rent for any office space occupied by property management personnel to the extent the size or rental rate of such office space exceeds the size or fair market rental value of office space occupied by management personnel of the comparable buildings in the vicinity of the Building, with adjustment where appropriate for the size of the applicable project; and

(m) costs arising from the gross negligence or willful misconduct of Landlord or its employees.

If Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would be included in Operating Expenses) to a tenant who has undertaken to perform such work or service in lieu of the performance thereof by Landlord, Operating Expenses shall be deemed to be increased by an amount equal to the additional Operating Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such work or service to such tenant. If the Building is not at least ninety-five percent (95%) occupied during all or a portion of the Base Year or any Expense Year, Landlord shall make an appropriate adjustment to the components of Operating Expenses for such year to determine the amount of Operating Expenses that would have been incurred had the Building been ninety-five percent (95%) occupied; and the amount so determined shall be deemed to have been the amount of Operating Expenses for such year. Operating Expenses for the Base Year shall not include market-wide cost increases due to extraordinary circumstances, including Force Majeure, boycotts, strikes, conservation surcharges, embargoes or shortages, or amortized costs relating to capital improvements. In no event shall the components of Operating Expenses for any Expense Year related to Building monitoring/access control or utility costs be less than the components of Operating Expenses related to Building monitoring/access control or utility costs, respectively, in the Base Year.

4.2.6 **Taxes**.

4.2.6.1 "**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 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 Landlord's ownership, leasing and/or operation of the Building, other portions of the Project owned by Landlord, or those portions of the Project to the extent serving the Building (e.g., Common Areas), or any portions thereof. Without limiting the generality of this Section 4.2.6.1, if at any time prior to or during the Term any sale, refinancing or change in ownership of the Building is consummated, and if Landlord reasonably anticipates re-assessment as a result thereof, but that such reassessment may not be completed during the applicable calendar year, then for all purposes under this Lease, Landlord will calculate Tax Expenses applicable to such calendar year and thereafter based upon Landlord's good faith estimate of the Tax Expenses which will result from such reassessment. Upon the finalization of any such reassessment and Landlord's determination of actual Tax Expenses applicable to the Base Year and all Expense Years subsequent thereto, as applicable, Landlord shall have the right to adjust the applicable Tax Expenses therefor and, upon such adjustment, Landlord or Tenant, as appropriate, shall promptly make such reconciliation payment (which, in the case of Landlord, may be made in the form of a credit against the installment(s) of Tenant's Share

of Tax Expense Excess next coming due) as may be necessary in order that Tenant pays Tenant's Share of actual Tax Expense Excess for each such Expense Year.

4.2.6.2 Tax Expenses shall include, without limitation: (i) Any tax on the rent (excluding income tax to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Building), as further provided in Section 4.2.6.3 below), right to rent or other income from the Building, or any portion thereof, or as against the business of leasing the Building, 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, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("**Proposition 13**") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, Tax Expenses shall also include any governmental or private assessments or the Building's contribution towards a governmental or private cost-sharing agreement for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies; (iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Rent payable hereunder, including any business or gross income tax or excise tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof (excluding income tax to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Building), as further provided in Section 4.2.6.3 below); 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.

4.2.6.3 Any costs and expenses (including reasonable attorneys' and consultants' fees) incurred in attempting to protest, reduce or minimize Tax Expenses shall be included in Tax Expenses in the Expense Year such expenses are incurred, but shall not be included in calculating any Base Taxes. 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 Tax Expenses 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 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 4.2.6 (except as set forth in Section 4.2.6.1, above), there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes imposed on income from all sources, and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Building), (ii) any items included as Operating Expenses, and (iii) any items paid by Tenant under Section 4.5 of this Lease.

4.2.6.4 The amount of Tax Expenses for the Base Year attributable to the valuation of the Building and its appurtenances, inclusive of tenant improvements, shall be known as the "**Base Taxes**". If in any comparison year subsequent to the Base Year, the amount of Tax Expenses decreases below the amount of Base Taxes, then for purposes of all subsequent comparison years, including the comparison year in which such decrease in Tax Expenses occurred, the Base Taxes, and therefore the Base Year, shall be decreased by an amount equal to the decrease in Tax Expenses.

4.2.7 "**Tenant's Share**" shall mean the percentage set forth in Section 6 of the Summary.

4.3 **Cost Pools**. Landlord shall have the right, from time to time, to equitably allocate some or all of the Direct Expenses among different portions or occupants of the portions of the Project owned by Landlord (the "**Cost Pools**"), in Landlord's reasonable discretion. Such Cost Pools may include, but shall not be limited to, the office space tenants of the Building, and the restaurant tenants in the Restaurant Court Parcel portion of the Project. The Direct Expenses within each such Cost Pool shall be allocated and charged to the tenants within such Cost Pool in an equitable manner.

4.4 **Calculation and Payment of Additional Rent**. If for any Expense Year ending or commencing within the Lease Term, Insurance Expenses for such Expense Year exceed Insurance Expenses applicable to the Base Year ("**Insurance Expense Excess**") and/or Operating Expenses for such Expense Year exceed Operating Expenses applicable to the Base Year ("**Operating Expense Excess**") and/or Tax Expenses for such Expense Year exceed Tax Expenses applicable to the Base Year (the "**Tax Expense Excess**"), then Tenant shall pay to Landlord, in the manner set forth in Section 4.4.1, below, and as Additional Rent, an amount (referred to herein as "**Tenant's Direct Expense Excess**") equal to the sum of Tenant's Share of the Insurance Expense Excess, if any, plus Tenant's Share of the Operating Expense Excess, if any, plus Tenant's Share of the Tax Expense Excess, if any.

4.4.1 **Statement of Actual Direct Expenses and Payment by Tenant**. Landlord shall endeavor to give to Tenant 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 Direct Expense Excess (pro-rated as needed if the Lease Term ends or commences part way through the calendar year). Upon receipt of the Statement for each Expense Year commencing or ending during the Lease Term, if a Tenant's Direct Expense Excess is present, Tenant shall pay, with its next installment of Base Rent due, the full amount of such Tenant's Direct Expense

Excess for such Expense Year, less the amounts, if any, paid during such Expense Year as "Estimated Excess," as that term is defined in Section 4.4.2, below, and if Tenant paid more as Estimated Excess than the actual Tenant's Direct Expense Excess, 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 Direct Expense Excess for the Expense Year in which this Lease terminates, if a Tenant's Direct Expense Excess is present, Tenant shall immediately pay to Landlord such amount, and if Tenant paid more as Estimated Excess than the actual Tenant's Direct Expense Excess, 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.

4.4.2 **Statement of Estimated Direct Expenses**. In addition, Landlord shall endeavor to 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 amount of Tenant's Direct Expense Excess for the then-current Expense Year (the "**Estimated Excess**") as calculated by comparing the components of Direct Expenses for such Expense Year, which shall be based upon the Estimate, to the amount of the components of Direct Expenses for the Base 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 Excess under this Article 4, nor shall Landlord be prohibited from revising any Estimate Statement or Estimated Excess theretofore delivered to the extent necessary. Thereafter, Tenant shall pay, with its next installment of Base Rent due, a fraction of the Estimated Excess for the then-current Expense Year (reduced by any amounts already paid pursuant to 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 Excess set forth in the previous Estimate Statement delivered by Landlord to Tenant.

4.5 **Taxes and Other Charges for Which Tenant Is Directly Responsible**.

4.5.1 Tenant shall be liable for and shall pay at least 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.

4.5.2 If the tenant improvements in the Premises, whether installed and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for real property tax purposes at a valuation higher than the valuation at which tenant improvements conforming to Landlord's "building standard" in other space in the Building are assessed, then the Tax Expenses levied against Landlord or the property by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of Section 4.5.1, above.

4.5.3 Notwithstanding any contrary provision herein, Tenant shall pay prior to delinquency any (i) rent tax or sales tax, service tax, transfer tax or value added tax, or any other applicable tax on the rent or services herein or otherwise respecting this Lease, (ii) taxes assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, including the Building's parking facility; or (iii) taxes assessed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. Such amounts shall not be reduced by Tenant's Share.

4.6 **Landlord's Books and Records**. Within forty-five (45) days after receipt of a Statement by Tenant, if Tenant disputes the amount of Direct Expenses set forth in the Statement, an independent certified public accountant (which accountant is a member of a nationally recognized accounting firm and which accountant shall not be compensated on a contingency fee or similar basis related to the result of such audit), designated by Tenant, may, after reasonable Notice to Landlord and at reasonable times subject to Landlord's reasonable scheduling requirements, inspect Landlord's records at Landlord's offices where such records are kept and/or where the accounting personnel responsible for calculating Direct Expenses work; provided that Tenant is not then in Default under this Lease and Tenant has paid all amounts required to be paid under the applicable Statement; and further provided that such inspection must be completed within thirty (30) days after Landlord's records are made available to Tenant. Tenant agrees that any records of Landlord reviewed under this Section 4.6 shall constitute confidential information of Landlord, which Tenant shall not disclose, nor permit to be disclosed by Tenant or Tenant's accountant, and Tenant's accountant must enter into a commercially reasonable confidentiality agreement with Landlord prior to commencing the audit. If, within ten (10) days after such inspection, Tenant notifies Landlord in writing that Tenant still disputes such Direct Expenses included in the Statement, then a certification as to the proper amount shall be made, at Tenant's expense, by an independent certified public accountant selected by Landlord, which certification shall be final and conclusive; provided, however, if the actual amount of Direct Expenses due for that Expense Year, as determined by such certification, is determined to have been overstated by more than six percent (6%), then Landlord shall pay the reasonable fees of Tenant's audit and the reasonable costs associated with such certification, in each instance exclusive of travel expenses. Tenant's failure (i) to take exception to any Statement within forty-five (45) days after Tenant's receipt of such Statement or (ii) to timely complete its inspection of Landlord's records or (iii) to timely notify Landlord of any remaining dispute after such inspection 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, which Statement shall be considered final and binding.

ARTICLE 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. Unless expressly provided otherwise, the Premises shall not be used as a medical office, dental office, government office, call center or server farm, or for any high density or high pedestrian traffic use.

5.2 **Prohibited Uses**. Tenant covenants and agrees that Tenant shall not use, or suffer or permit any person or persons to use, the Premises or any part thereof for any use or purpose contrary to the provisions of this Lease or of the Rules and Regulations set forth in **Exhibit B**, attached hereto, or in violation of the laws of the United States of America, the State in which the Project is located, the ordinances, regulations or requirements of the local municipal or county governing body or other lawful

authorities having jurisdiction over the Project, including 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, or of any Underlying Documents. A violation of the Rules and Regulations by Tenant shall be deemed a Default under this Article 5. Tenant shall not do or permit anything to be done in or about the Premises which will in any way damage the reputation of the Project or obstruct or interfere with standard Building operations or the rights of other tenants or occupants of the Building, or injure or annoy them or use or allow the Premises to be used for any 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 Underlying Documents now or hereafter affecting the Project.

5.3 **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 declarations, covenant, condition or restriction or law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated. 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 Premises as are required to comply with the governmental rules, regulations, requirements or standards described in this Article 5, including the Americans With Disabilities Act of 1990, as amended (ADA), whether or not the necessity for compliance is triggered by Tenant's use of the Premises, and Tenant, at its sole cost and expense, shall make any changes to the Premises required to accommodate Tenant's employees with disabilities (it being understood that all work performed by Tenant pursuant to this Section 5.3 shall be subject to the terms and conditions of Article 8, below). 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.

ARTICLE 6

SERVICES AND UTILITIES

6.1 **Standard Tenant Services**. Landlord shall provide the following services on all days (unless otherwise stated below) during the Lease Term.

6.1.1 Subject to limitations imposed by all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide heating and air conditioning ("**HVAC**") when necessary for normal comfort for normal office use in the Premises during normal "**Building Hours**" (as defined in the Rules and Regulations set forth in **Exhibit B**, attached hereto), except for the date of observation of New Year's Day, Martin Luther King Jr. Day, Independence Day, Labor Day, Memorial Day, Thanksgiving Day, Christmas Day and, at Landlord's discretion, other locally or nationally recognized holidays (collectively, the "**Holidays**"), and provided further that HVAC shall be provided on Saturdays upon Tenant request only.

6.1.2 Landlord shall provide adequate electrical wiring and facilities for connection to Tenant's lighting fixtures and incidental use equipment, for lighting during normal Business Hours (except Holidays) and power reasonably suitable for the Permitted Use, taking into account Tenant's usage of personal computers and other office machines to the extent such usage is consistent with the usage employed by general office users in the Building and at buildings located in the submarket in which

the Building is located that are comparable to the Building in class, age and size; provided further that Tenant's electrical usage shall be subject to applicable laws and regulations. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-building standard lighting fixtures within the Premises, which shall be replaced/installed only by Landlord. Landlord shall replace building standard light bulbs/tubes (but not starters or ballasts) at no charge to Tenant.

6.1.3 Landlord shall provide untreated city water from the regular Building outlets for lavatory and toilet purposes in the Building Common Areas.

6.1.4 Landlord shall provide building standard janitorial services to the Premises, except for weekends and the date of observation of the Holidays, in and about the Premises.

6.1.5 Subject to emergencies, Landlord shall provide nonexclusive, non-attended automatic passenger elevator service during the Building Hours, shall have at least one elevator available at all other times, including on the Holidays.

6.1.6 Landlord shall provide nonexclusive freight elevator service subject to scheduling by Landlord and subject to charge for after-hours usage.

6.1.7 Subject to the provisions of this Lease and such reasonable access control as Landlord may from time to time determine (with which Tenant and its employees shall comply), Tenant shall have access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week; provided, however, notwithstanding the foregoing, neither Landlord nor any of the "Landlord Parties," as that term is defined in Section 10.1, below, shall in any case be liable for personal injury, property damage or otherwise for any error with regard to the admission to or exclusion from the Building or Project of any person. Tenant acknowledges and agrees that any access control provided after Building Hours is at a level consistent with reducing uninvited persons, vandalism, and graffiti, and is not intended to assure personal safety or to prevent losses from theft.

Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical and plumbing systems.

6.2 **Overstandard Tenant Use**. Tenant shall not, without Landlord's prior written consent, use heat-generating machines (Energy Star photocopiers and computer printers excepted), machines other than normal fractional horsepower office machines, or equipment or lighting other than building standard lights in the Premises, which may affect the temperature otherwise maintained by the air conditioning system or increase the water normally furnished for the Premises by Landlord pursuant to the terms of Section 6.1 of this Lease. If Tenant uses water, electricity, heat or air conditioning in excess of that supplied by Landlord pursuant to Section 6.1 of this Lease, Tenant shall pay to Landlord, upon billing, the actual cost of such excess consumption, the cost of the installation, operation, and maintenance of equipment which is installed in order to supply such excess consumption, and the cost of the increased wear and tear on existing equipment caused by such excess consumption; and Landlord may install devices to separately meter any increased use and in such event Tenant shall pay the increased cost directly to Landlord, on demand, at the rates charged by the public utility company furnishing the same, including the cost of installing, testing and maintaining of such additional metering devices. Tenant's use of electricity shall never exceed the capacity of the feeders to the Project or the risers or wiring installation and if it does, Tenant shall be responsible for upgrading same at its sole cost and expense. Subject to the terms of Section 29.31, below, Tenant shall not install or use or permit the installation or use of any computer or electronic data processing equipment in the Premises (other than personal computers and local area networks), without the prior written consent of Landlord. If Tenant desires to

use heat, ventilation or air conditioning or overhead lighting during hours other than those for which Landlord is obligated to supply such utilities pursuant to the terms of Section 6.1 of this Lease, Tenant shall give Landlord such prior Notice, if any, as Landlord shall from time to time establish as appropriate, of Tenant's desired use in order to supply such utilities, and Landlord shall supply such utilities to Tenant at such hourly cost per zone to Tenant (which shall be treated as Additional Rent) as Landlord shall from time to time establish.

6.3 **Interruption of Use**. Tenant agrees that Landlord shall not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services, if any), 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 breach or Default of Tenant or other parties, or by any other cause beyond Landlord's reasonable control; 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. Furthermore, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Tenant's business, including loss of profits or other consequential damages, 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.

ARTICLE 7

REPAIRS

Tenant shall, at Tenant's own expense, keep the Premises, including all improvements, fixtures, furnishings, and systems and equipment to the extent located therein (including plumbing fixtures and equipment such as dishwashers, garbage disposals, refrigerators, coffee makers and Insta Hot and similar dispensers), and the portion of the floor or floors of the Building on which the Premises are located, in good order, repair and condition at all times during the Lease Term. In addition, Tenant shall, at Tenant's own expense, but under the supervision and subject to the prior approval of Landlord, and within any reasonable period of time specified by Landlord, promptly and adequately repair all damage to the Premises and replace or repair all damaged, broken, or worn fixtures and appurtenances, except for damage caused by ordinary wear and tear or beyond the reasonable control of Tenant; provided however, that, at Landlord's option, or if Tenant fails to make such repairs, Landlord may, but need not, make such repairs and replacements, and Tenant shall pay Landlord the cost thereof, including a fifteen percent (15%) supervisory fee forthwith upon being billed therefor. Notwithstanding the foregoing, Landlord shall be responsible for repairs to the exterior walls, foundation and roof of the Building, the structural portions of the floors of the Building, and the base building systems and equipment of the Building, except to the extent that such repairs are required due to the negligence or willful misconduct of Tenant; 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. Landlord may, but shall not be required to, enter the Premises at all reasonable times to make such repairs, alterations, improvements or additions to the Premises or to the Project or to any equipment located in the Project as Landlord shall desire or deem necessary or as Landlord may be required to do by governmental or quasi-governmental authority or court order or decree. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code or under any similar law, statute, or ordinance now or hereafter in effect.

ARTICLE 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, including any cabling or fixturization, but excluding minor fixturization incidental to installation of workstations (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 thirty (30) 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 Alterations which modify the structural portions or the systems or equipment of the Building, are visible from the exterior of the Building or would reduce the marketability of the Premises or their fair market rental rate. Notwithstanding the foregoing, Tenant shall be permitted to make Alterations following ten (10) business days Notice to Landlord, but without Landlord's prior consent, to the extent that such Alterations are decorative only or cosmetic in nature (i.e., installation of carpeting or painting of the Premises using building standard materials, finishes and colors and not visible from the exterior of the Premises).

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 the requirement that Tenant utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen selected by Tenant from a list provided and approved by Landlord and 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, diligently and without material cessation, delay or interruption, 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 municipality in which the Building is located all in conformance with Landlord's construction rules and regulations and reasonable additional directives; provided, however, that prior to commencing to construct any Alteration, Tenant shall meet with Landlord to discuss Landlord's design parameters and code compliance issues. In the event Tenant performs any Alterations in the Premises which require or give rise to governmentally required changes to the "Base Building," as that term is defined below, then Landlord shall, at Tenant's expense, make such changes to the Base Building. The "**Base Building**" shall include the structural portions of the Building, and the public restrooms, elevators, exit stairwells, paths of travel and the systems and equipment located in the internal core of the Building on the floor or floors on which the Premises are located. In performing the work of any such Alterations, Tenant shall have the work performed in such manner so as not to obstruct access to the Project or any portion thereof, by any other tenant of the Project, and so as not to obstruct the business of Landlord or other tenants in the Project. 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. 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 in which the Building is located in accordance with Section 3093 of the California Civil Code or any successor statute and furnish a copy thereof to Landlord upon recordation, and timely give all notices required pursuant to Section 3259.5 of the California Civil Code or any successor statute (failing which, Landlord may itself execute and file such Notice of Completion and give such notices on behalf of Tenant as Tenant's agent for such purpose), 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**. If payment is made by Tenant directly to contractors, Tenant shall (i) comply with Landlord's requirements for final lien releases and waivers in connection with Tenant's payment for work to contractors, and (ii) sign Landlord's standard contractor's rules and regulations. If Tenant orders any work directly from Landlord, Tenant shall pay to Landlord an amount equal to Landlord's then current standard fee to compensate Landlord for all overhead, general conditions, fees and other costs and expenses arising from Landlord's involvement with such work. If Tenant does not order any work directly from Landlord, Tenant shall reimburse Landlord for Landlord's reasonable, out-of-pocket costs and expenses actually incurred in connection with Landlord's review of such work plus a meeting and review fee equal to six percent (6%) of the total hard cost of the work.

8.4 **Construction Insurance**. In addition to the requirements of Article 10 of this Lease, in the event that Tenant makes any Alterations, prior to the commencement of such Alterations, Tenant shall provide Landlord with evidence that Tenant carries "**Builder's All Risk**" insurance 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 Tenant pursuant to Article 10 of this Lease immediately upon completion thereof. In addition, 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 shall be and become the property of Landlord (specifically excluding trade fixtures and the equipment installed by Tenant upon taking possession of the Premises), except that Tenant may remove any fixtures and/or equipment (e.g., additional HVAC or chillers) which Tenant can substantiate to Landlord have not been paid for with any Tenant improvement allowance funds provided to Tenant by Landlord, provided Tenant repairs any damage to the Premises and Building caused by such removal and returns the affected portion of the Premises to a building standard tenant improved condition as determined by Landlord. Furthermore, Landlord may, by Notice to Tenant prior to the end of the Lease Term, or given following any earlier termination of this Lease, require Tenant, at Tenant's expense, to remove any Alterations and/or improvements and/or systems and equipment within the Premises and to repair any damage to

the Premises and Building caused by such removal and return the affected portion of the Premises to a building standard tenant improved condition as determined by Landlord. If Tenant fails to complete such removal and/or to repair any damage caused by the removal of any Alterations and/or improvements and/or systems and equipment in the Premises and return the affected portion of the Premises to a building standard tenant improved condition as reasonably determined by Landlord, (i) Landlord may do so and may charge the cost thereof to Tenant, and (ii) Tenant shall be deemed to be in holdover until such time as the removal and restoration is completed (and, accordingly, the terms of Article 16 of this Lease shall be applicable during such period). Tenant hereby protects, defends, indemnifies and holds the Landlord Parties 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. Landlord shall not under any circumstances be liable to any equipment lessor or construction lender for loss or other impairment of their collateral.

ARTICLE 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 reasonable attorneys' fees and costs) arising out of same or in connection therewith. Tenant shall give Landlord Notice at least twenty (20) 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. 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. The amount so paid shall be deemed Additional Rent under this Lease payable upon demand, without limitation as to other remedies available to Landlord under this Lease. Nothing contained in this Lease shall authorize Tenant to do any act which shall subject Landlord's title to the Building or Premises to any liens or encumbrances whether claimed by operation of law or express or implied contract. Any claim to a lien or encumbrance upon the Building or Premises arising in connection with any such work or respecting the Premises not performed by or at the request of Landlord shall be null and void, or if required by law shall attach only against Tenant's interest in the Premises and shall in all respects be subordinate to Landlord's title to the Project, Building and Premises.

ARTICLE 10

INSURANCE

10.1 **Indemnification and Waiver**. Except to the extent arising from the gross negligence or willful misconduct of Landlord, Tenant hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises from any cause whatsoever (including 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 court costs, reasonable attorneys' fees and expert witness fees) incurred in connection with or arising from any cause in, on or about the Premises (including 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 shall not apply to the gross negligence or willful misconduct of Landlord. 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, and such claim is not caused by the gross negligence or willful misconduct of Landlord, Tenant shall pay to Landlord its costs and expenses incurred in such suit, including its actual professional fees such as reasonable appraisers', accountants' and attorneys' fees. 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 **Landlord's Insurance**. Landlord shall insure the Building during the Lease Term against loss or damage due to fire and other casualties covered within the classification of fire and extended coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage and special extended coverage. Such coverage shall be in such amounts, with such deductibles, from such companies, and on such other terms and conditions, as Landlord may from time to time reasonably determine. Landlord shall also carry rent continuation insurance. 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. Notwithstanding the foregoing provisions of this Section 10.2, the coverage and amounts of insurance carried by Landlord in connection with the Building shall, at a minimum, be comparable to the coverage and amounts of insurance which are carried by reasonably prudent landlords of buildings comparable to and in the vicinity of the Building (provided that in no event shall Landlord be required to carry, although it may at its sole option carry, earthquake insurance). Landlord may carry some or all of the insurance in connection with the Project under a blanket policy or policies which cover other properties owned or managed by Landlord or any affiliates of Landlord, in which event Insurance Expenses shall include an equitable allocation of

the cost of such insurance, as determined by Landlord. Landlord may also elect to carry some or all of the insurance in connection with the Project by a program of co-insurance and/or self-insurance. 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 (regardless of Landlord's approval of said use) 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.

10.3 **Tenant's Insurance**. Tenant shall maintain the following coverages in the following amounts.

10.3.1 Commercial General Liability Insurance (ISO occurrence form CG 00 01 or its substantially similar successor form) covering the insured against claims of bodily injury, personal injury and property damage (including loss of use thereof) arising out of Tenant's operations, and contractual liabilities (covering the performance by Tenant of its indemnity agreements) including a Broad Form endorsement covering the insuring provisions of this Lease and the performance by Tenant of the indemnity agreements set forth in Section 10.1 of this Lease, for limits of liability not less than:

Bodily Injury and Property Damage Liability	$3,000,000 each occurrence $3,000,000 annual aggregate
Personal Injury Liability	$3,000,000 each occurrence $3,000,000 annual aggregate 0% Insured's participation

10.3.2 Commercial Property Insurance (ISO special causes of loss form CP 10 30 or its substantially similar successor form) covering (i) all office furniture, business and trade fixtures, office 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, (ii) any improvements which exist in the Premises as of the Commencement Date (excluding the Base Building) (the "**Original Improvements**"), and (iii) all other improvements, alterations and additions to the Premises. Such insurance shall be for the full replacement cost (subject to reasonable deductible amounts not to exceed $5,000.00) 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 vandalism and malicious mischief, theft, water damage of any type (including sprinkler leakage and bursting or stoppage of pipes), and explosion, and providing business interruption coverage for a period of one year.

10.3.3 Worker's Compensation Insurance pursuant to all applicable state and local statutes and regulations, and Employer's Liability Insurance with limits not less than $1,000,000.00 per accident for bodily injury or disease.

10.3.4 Business Auto Liability Insurance with limits of not less than $1,000,000.00 per accident.

10.3.5 Business interruption, loss of income and extra expense insurance in amounts sufficient to pay for Tenant's expenses and lost income attributable to perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises as a result of such perils.

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 as additional insureds Landlord, and the other Additional Insureds listed in Section 16 of the Summary, and any other party Landlord hereafter so specifies to Tenant via written Notice, together with their "Related Parties" defined as their parents, affiliates, managers, members, directors, officers, employees, subsidiaries, successors, lenders (if required by loan agreements), and their successors and assigns, it being the intent of this Section to trigger the additional insured coverage under any "automatic additional insured" provision of, or endorsement to, Tenant's insurance policies; (ii) specifically cover the liability assumed by Tenant under this Lease, including Tenant's obligations under Section 10.1 of this Lease; (iii) be issued by an insurance company having a rating of not less than A:X in Best's Insurance Guide or which is otherwise acceptable to Landlord and licensed to do business in the State in which the Project is located; (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 requirement of Tenant; (v) be in form and content reasonably acceptable to Landlord; and (vi) provide that said insurance shall not be canceled or coverage changed unless thirty (30) days' prior Notice shall have been given to Landlord and any mortgagee of Landlord. Tenant shall deliver said policy or policies or certificates thereof to Landlord on or before the 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, together with a fifteen percent (15%) service charge.

10.5 **Subrogation**. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above provided, and, except with respect to any applicable deductible amounts, Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for such losses (except with respect to any applicable deductible amounts), and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right to the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

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, 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.

ARTICLE 11

DAMAGE AND DESTRUCTION

11.1 **Repair of Damage to Premises by Landlord**. If, during the Term of this Lease, the Premises or portions of the Building or Project necessary for Tenant's reasonable use and occupancy of the Premises are damaged by fire or other casualty covered by property damage insurance carried by either party, Landlord shall take diligent steps to adjust the loss, secure a building permit, and restore the Premises, Building, and Project as required, provided (a) such repairs can, in Landlord's reasonable opinion, be substantially completed within one hundred eighty (180) days of the date a permit for such repairs is issued by the governing authority, (b) insurance proceeds are available to pay eighty percent (80%) or more of the cost of restoration (taking into account any changes in building codes and/or other additional requirements imposed by the building department), (c) the holder of any mortgage on the Building or Project or ground lessor with respect to the Building or Project shall not require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall not terminate the ground lease, as the case may be, (d) the damage does not occur during the last twelve (12) months of the Lease Term and (e) Tenant performs its obligations hereunder. Tenant understands and agrees that the Premises, Building, and or Project may not be restored identically as before, due to changes in building or zoning codes and/or Landlord's desire to reconfigure the Building or Project. Tenant shall promptly notify Landlord of any such damage or destruction and shall take reasonable steps to prevent further damage and to secure the Premises, until Landlord has had a reasonable time in which to assume such responsibilities. Within not more than one hundred twenty (120) days after the damage or destruction, Landlord shall give written Notice to Tenant (the "**Damage or Destruction Notice**") of its intent to restore the Premises, Building, and/or Project, or to terminate the Lease as a result of the failure of one or more of the conditions set forth in (a)-(e) above, in which case, Landlord's Damage or Destruction Notice shall also include a termination date giving Tenant thirty (30) days to vacate the Premises. Landlord may elect to restore the Premises, Building, and/or Project notwithstanding the failure of any of the conditions set forth in clauses (a)-(e) above. The Damage or Destruction Notice shall also, if Landlord is required to or elects to restore, set forth Landlord's reasonable estimate of the time required for restoration after issuance of any required building permit. This Lease shall continue in full force and effect, but, provided no act of Tenant has impaired Landlord's recovery under its rental interruption insurance, Tenant shall be entitled to a proportionate reduction of Rent to the extent Tenant's use of the Premises is impaired, commencing with the date of damage and continuing until substantial completion of the restoration.

11.2 **Landlord's Work/Tenant's Work**. Landlord, at its sole option, may perform the entire work necessary to restore both the shell of the Building and the Tenant Improvements and Original Improvements, or may require Tenant to perform the construction necessary to restore the Tenant Improvements and Original Improvements, if the same were constructed by Tenant and not by Landlord and comprise a substantial portion of the improvements in the Premises. Provided Landlord performs the entirety of the work, Tenant shall assign to Landlord (or any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under Section 10.3 of this Lease. If Tenant's insurance proceeds are insufficient to cover the costs of restoring the Tenant Improvements and Original Improvements in the Premises, Tenant shall deposit the difference with Landlord prior to the commencement of construction. Notwithstanding anything to the contrary contained herein, if Landlord elects to restore and Tenant fails to perform any of its obligations hereunder, or an event of Default has occurred, Landlord may cease performing the restoration work and Landlord's obligations under this

Article 11 shall be forgiven until such time as such Default is cured pursuant to the terms of this Lease. Tenant may reasonably reconfigure the Premises during restoration provided (a) reconfiguration will not delay restoration and (b) Tenant's insurance proceeds and/or a separate contribution from Tenant will be sufficient to pay for the costs of reconfiguration. Tenant understands and agrees that changes in building codes/ADA may require reconfiguration of the Premises even where Tenant desires to retain the existing configuration. If Landlord requires Tenant to restore the Premises, rental abatement shall end on the date that Landlord reasonably determines that Tenant, through diligent efforts, should have substantially completed restoration. Landlord shall not be liable for any loss of business inconvenience or annoyance arising from any repair or restoration of the Premises, Building or Project as a result of any damage from fire or other casualty.

11.3 **Tenant's Option to Terminate**. Notwithstanding Landlord's requirement or election to restore the Premises, Building, and/or Project following any damage or destruction, Tenant shall have the right to terminate this Lease on ten (10) days Notice given to Landlord not more than twenty (20) days after Tenant's receipt of Landlord's Damage or Destruction Notice, but only if the Damage or Destruction Notice indicates that Landlord reasonably estimates restoration will take more than one hundred eighty (180) days after issuance of any required building permit. In the event Tenant so terminates this Lease, Tenant shall be entitled to retain that portion of its insurance proceeds applicable to the amortized portion of Landlord's contribution (if any) to the costs of the Tenant Improvements, but Tenant shall assign to Landlord that portion of its insurance proceeds applicable to the Original Improvements and to the unamortized portion of Landlord's contribution (if any) to the costs of the Tenant Improvements.

11.4 **Waiver of Statutory Provisions**. The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of California, including Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now

or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

ARTICLE 12

NONWA1VER

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 cheek 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.

ARTICLE 13

CONDEMNATION

If the whole or any part of the Premises, Building or Project shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the surrender, reconstruction or remodeling of any part of the Premises, Building or Project, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. If more than twenty-five percent (25%) of the rentable square feet of the Premises is taken, or if access to the Premises is substantially impaired, in each case for a period in excess of one hundred eighty (180) days, Tenant shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. Tenant shall not 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, and for moving expenses, so long as such claims do not diminish the award available to Landlord, its ground lessor with respect to the Building or Project or its mortgagee, and such claim is 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.

ARTICLE 14

ASSIGNMENT AND SUBLETTING

14.1 **Transfers**. Tenant shall not, without the prior written consent of Landlord, which is subject to Landlord's reasonable review and consideration as to assignments and subleases only and Landlord's review and approval in Landlord's sole and absolute discretion in all other cases, 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**") which must be separately demisable if not the entirety of the Premises or the entirety of an existing separately demised suite, (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, including all existing operative documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer, provided that Landlord shall have the right to require Tenant to utilize Landlord's standard Transfer documents in connection with the documentation of such Transfer, (iv) current financial statements of the proposed Transferee (and financial statements for such Transferee's prior two (2) fiscal years) and any proposed guarantor certified by an officer, partner or owner thereof, business credit and personal references and history of the proposed Transferee 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, and (v) an executed estoppel certificate from Tenant in the form attached hereto as **Exhibit E**. 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 review and processing fees in the amount of $1,500.00, as well as any reasonable professional fees (including property manager's, attorneys', accountants', architects', engineers' and consultants' fees) incurred by Landlord upon the earlier to occur of Landlord's consent, or within thirty (30) days after written request by Landlord.

14.2 **Landlord's Consent**. Landlord shall not unreasonably condition, withhold or delay its consent to any proposed assignment or sublease of the Subject Space to the Transferee on the terms specified in the Transfer Notice. Without limitation as to other reasonable grounds for conditioning, withholding or delaying consent, the parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Landlord to condition, delay, or withhold consent (as reasonably required, in Landlord's good faith estimation) 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 intends to use the Subject Space for purposes which are not permitted under this Lease;

14.2.3 The Transferee is either a governmental agency or instrumentality thereof or a nonprofit organization;

14.2.4 The rent charged by Tenant to such Transferee during the term of such Transfer, calculated using a present value analysis, is less than sixty percent (60%) of the rent being quoted by Landlord at the time of such Transfer for comparable space in the Project for a comparable term, calculated using a present value analysis;

14.2.5 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;

14.2.6 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; or

14.2.7 Either the proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, the proposed Transferee, (i) occupies space in the Project at the time of the request for consent, or (ii) is negotiating with Landlord or has negotiated with Landlord during the six (6) month period immediately preceding the date Landlord receives the Transfer Notice, to lease space in the Project.

If Landlord consents to any assignment or sublease 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) or to any other Transfer, 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 and subject to any additional reasonable conditions imposed by Landlord, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, or (ii) which would cause the proposed Transfer to be more favorable to the Transferee than the terms set forth in Tenant's original Transfer Notice, 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 loss of profits, however occurring) or declaratory judgment and an injunction for the relief sought, and Tenant hereby waives all other remedies, including any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed Transferee.

14.3 **Transfer Premium**. If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any "Transfer Premium," as that term is defined in this Section 14.3, received by Tenant from such Transferee. "**Transfer Premium**" shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer in excess of the Rent and Additional Rent payable by Tenant under this Lease during the term of the Transfer on a per rentable square foot basis if less than all of the Premises is transferred after deducting all of Tenant's commercially reasonable costs associated with such Transfer, including, but not limited to, brokerage commissions, legal fees and tenant improvements. "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 of all or a portion of the Premises, 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 (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, and shall specify that such Intention to Transfer Notice is delivered to Landlord pursuant to this Section 14.4 in order to allow Landlord to elect to recapture the Contemplated Transfer Space. Thereafter, Landlord shall have the

option, by giving 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.

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 (each of whom shall be required to comply with the terms of this Article 14), (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 or a statement that there is no Transfer Premium, (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 in connection with the Subject Space, and (vi) the Transferee shall fully assume this Lease. 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. Upon any assignment, the assignee shall assume in writing all obligations and covenants of Tenant thereafter to be performed or observed under this Lease. 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.

14.6 **Additional Transfers**. For purposes of this Lease, the term "**Transfer**" shall also include (i) if Tenant is a partnership or a limited liability company, 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 or membership interests, within a twelve (12)-month period, or the dissolution of the partnership or partnership without immediate reconstitution thereof, and (ii) if Tenant is a closely held corporation (i.e., whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Tenant or (B) the sale or other transfer of an aggregate of fifty percent (50%) or more of the voting shares of Tenant (other than to immediate family members by reason of gift or death), within a twelve (12)-month period, or (C) the sale, mortgage, hypothecation or pledge of an aggregate of fifty percent (50%) or more of the value of the unencumbered assets of Tenant within a twelve (12)-month period.

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, if not an assignee, 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, but acceptance of any such payments shall not (A) give rise to any fiduciary responsibility to Tenant on the part of Landlord, or (B) create any privity of estate or contract between Landlord and the Transferee that does not already exist. Such Transferee shall rely on any representation by Landlord that Tenant is in Default hereunder, without any need for confirmation thereof by Tenant. 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.

14.8 **Non-Transfers**. Notwithstanding anything to the contrary contained in this Article 14, 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), shall not be deemed a Transfer under this Article 14, provided that 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, and further provided that such

assignment or sublease is not a subterfuge by Tenant to avoid its obligations under this Lease. "**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.

ARTICLE 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 a writing signed by an officer of Landlord or, but only for regular expiration on the Expiration Date, by Landlord's property manager. 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 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, business and trade fixtures, free-standing cabinet work, movable partitions 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. Notwithstanding anything to the contrary in this Lease, all safes, sensitive compartmented information facilities commonly referred to as "SCIF" and raised computer flooring, together with any inter-floor stairs installed by or for Tenant, shall be removed and any resulting damage repaired, unless Landlord consents or directs otherwise within ninety (90) days prior to the Expiration Date.

ARTICLE 16

HOLDING OVER

If Tenant holds over after the expiration of the Lease Term or earlier termination thereof, with or without 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, and in such case Rent shall be payable at a monthly rate equal to one-hundred fifty percent (150%) of the Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy shall be subject to every other applicable term, covenant and agreement contained herein other than any option to renew or extend. 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 any claims made by any succeeding tenant founded upon such failure to surrender and any lost profits to Landlord resulting therefrom.

ARTICLE 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 E**, attached hereto (or such other form as may be 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, but shall not modify or amend this Lease as between Landlord and Tenant nor derogate the rights of any mortgagee or purchaser. Tenant shall execute and deliver whatever other instruments may be reasonably required for such purposes. 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.

ARTICLE 18

SUBORDINATION

This Lease shall be subject and subordinate to all present and 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. 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) business 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 whether or not Tenant is included in such proceeding or sale.

ARTICLE 19

DEFAULTS; REMEDIES

19.1 **Events of Default**. The occurrence of any of the following shall constitute a default ("**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 three (3) days after Notice by wire transfer, ACH credit, or presentation of a cashier's check drawn on a federally insured bank; 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, or any breach of, 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 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, but in no event exceeding a period of time in excess of sixty (60) days after initial Notice thereof from Landlord to Tenant; or

19.1.3 Abandonment of the Premises by Tenant; 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 two (2) business days after Notice from Landlord; or

19.1.5 Tenant's failure to accept delivery of the Premises when tendered by Landlord.

The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law, except that if a longer notice period is provided by law, Tenant shall have the benefit of such longer period.

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, including brokerage commissions and advertising expenses incurred, 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.

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 lessees 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**. Whether or not 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 or renegotiate 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 or repossession, repairs, maintenance, changes, alterations and additions, reletting, 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 Notice of such intention is sent by Landlord to Tenant. Tenant hereby irrevocably waives any right otherwise available under any law to redeem or reinstate this Lease.

ARTICLE 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 occupy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof without interference by any persons claiming superior title, whether or not by or through Landlord, other than arising under Article 18 hereof. The foregoing covenant is in lieu of any other covenant express or implied.

ARTICLE 21

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 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 then owing and unpaid and Tenant shall, immediately upon demand therefor, pay all such sums to Landlord as "Additional Rent" in order to restore the Security Deposit to its original amount. Tenant also hereby consents to Landlord's application of all or part of the Security Deposit to any post-rejection claims that Landlord may have with respect to Tenant's obligations under this Lease in any bankruptcy proceeding involving Tenant. 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 waives the provisions of Section 1950.7 of the California Civil Code, or any successor statute, and all other provisions of law, now or hereafter in effect, which (i) establish the time frame by which a landlord must refund a security deposit under a lease, and/or (ii) 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 above and/or those sums reasonably necessary to compensate Landlord for any loss or damage caused by Tenant's default of the Lease, as amended hereby, including all damages or rent due upon termination of this Lease pursuant to Section 1951.2 of the California Civil Code. Landlord may commingle the Security Deposit with its other funds and has no fiduciary duty with respect thereto, the only relationship created being that of debtor and creditor. In the event of a transfer of

Landlord's interest in the Premises, Landlord shall have the right to transfer the Security Deposit to the transferee thereof. In such event, Landlord shall be deemed released by Tenant from all liability for the return of such Security Deposit and Tenant agrees to look solely to such transferee for the return of said Security Deposit. No mortgagee, trustee or master landlord shall be liable for the return of the Security Deposit. Tenant hereby grants to Landlord a security interest in the Security Deposit in accordance with the applicable provisions of the Uniform Commercial Code. Except as expressly provided herein, Tenant shall have no legal power to assign or encumber the Security Deposit, and the return of the Security Deposit to the Tenant shall completely relieve Landlord of liability with regard thereto.

ARTICLE 22

SUBSTITUTION OF OTHER PREMISES

Landlord shall have the right to move Tenant to other space in the Building which is reasonably comparable to the Premises in terms of square footage, window line, number of offices, and other general configuration, and all terms hereof shall apply to the new space with equal force; provided that Tenant's then existing monetary obligations under this Lease shall not be increased as a result of such relocation of the Premises. In such event, Landlord shall give Tenant prior Notice, shall provide Tenant, at Landlord's sole cost and expense, with tenant improvements at least equal in quality to those in the Premises and shall move Tenant's effects to the new space at Landlord's sole cost and expense at such time and in such manner as to inconvenience Tenant as little as reasonably practicable. In addition, Landlord shall reimburse Tenant for the reasonable out of pocket costs and expenses incurred by Tenant in connection with such relocation (e.g., the costs of IT workers to relocate (but not upgrade) Tenant's IT system and cabling; the costs of moving telephone service (exclusive of new or extra equipment); and the costs of reasonable supplies of replacement stationery), within thirty (30) days of Landlord's receipt of paid invoices therefor and supporting documentation. Simultaneously with such relocation of the Premises, the parties shall immediately execute an amendment to this Lease stating the relocation of the Premises. Notwithstanding the preceding, Landlord cannot relocate Tenant during the initial thirty-six (36) months of the Lease Term.

ARTICLE 23

SIGNS

23.1 **Tenant Signage**. Building standard identifying signage (suite entry sign and lobby directory strip) shall be provided to Tenant by Landlord, at Tenant's cost.

23.2 **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, including signage within the Premises but visible from the exterior of the Premises. Tenant may not install any signs on the exterior or roof of the Project or the Common Areas. 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. Tenant may not "tie back" its door or doors to provide additional signage area.

ARTICLE 24

FINANCIAL INFORMATION

At any time during the Lease Term, unless Tenant is publicly owned and posts its financial statements on its webpage, Landlord may require Tenant to provide Landlord with a current financial statement and financial statements of the two (2) years prior to the current financial statement year. 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.

ARTICLE 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 three (3) days after Tenant's receipt of Notice from Landlord that said amount is due, 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 the date they are due 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 H.15 (519), published on Monday of each calendar week, or the then-current equivalent of such publication (or such other comparable index as Landlord and Tenant shall reasonably agree upon if such rate ceases to be published) plus two (2) percentage points, and (ii) the highest rate permitted by applicable law.

ARTICLE 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) sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Landlord under this Lease or pursuant to law, including all reasonable legal fees and other amounts so expended. Tenant's obligations under this Section 26.2 shall survive the expiration or sooner termination of the Lease Term.

ARTICLE 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, to current or prospective mortgagees, ground or underlying lessors or insurers and, during the last twelve (12) months of the Lease Term, to prospective tenants; (iii) post notices of nonresponsibility; or (iv) alter, improve or repair the Premises or the Building, or for structural alterations, repairs or improvements to the Building or the Building's systems and equipment. Notwithstanding anything to the contrary contained in this Article 27, Landlord may enter the Premises at any time to (A) perform services required of Landlord, including janitorial service; (B) take possession due to any breach of this Lease in any lawful manner; and (C) perform any covenants of Tenant which Tenant fails to perform. 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. Tenant hereby waives any claims for damages or for any injuries or inconvenience to or interference with Tenant's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes and reasonably sized and located special security areas designated in advance by Tenant and approved by Landlord. 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. No provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed to be performed by Landlord herein.

ARTICLE 28

TENANT PARKING

Tenant shall rent from Landlord, commencing on the Commencement Date, the amount of parking spaces set forth in Section 9 of the Summary, on a monthly basis throughout the Lease Term, which parking spaces shall pertain to parking on a first-come, first-served, as available basis in the Project parking facility. Tenant shall not use any space to park more than one vehicle at a time. Tenant may surrender spaces on not less than thirty (30) days prior Notice at which time Tenant's right to re-rent such space shall expire. The location of the reserved parking spaces, if any, shall be designated by Landlord. Tenant shall pay monthly fees for all parking spaces rented by Tenant, on a monthly basis together with Base Rent, at the prevailing rate charged from time to time. In addition, Tenant shall be responsible for any increases in taxes imposed by any governmental authority in connection with the renting of such parking spaces by Tenant or the use of the parking facility by Tenant regardless of whether Landlord charges Tenant for such parking separately or at all. Tenant's continued right to use the parking spaces is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the parking facility where the parking spaces are located (including any sticker or other identification system established by Landlord and the prohibition of vehicle repair and maintenance activities in the Project's parking facilities), Tenant's cooperation in seeing that Tenant's employees and visitors also comply with such rules and regulations and Tenant not being in Default under this Lease. Neither Tenant nor its employees shall park automobiles in the Project parking facility overnight. All vehicles parked in the Project parking facility must be properly licensed in accordance with the laws of the State in which the Project is located and in operable condition. No oversized vehicles, commercial vehicles or vehicles which would damage the surface of the Project parking facility, shall be permitted to use the Project parking facility. 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. Tenant's rights hereunder are subject to the terms of any Underlying Documents. Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Project parking facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, close-off or restrict access to the Project parking facility for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord may issue a total number of unreserved spaces for the Project parking facility based on past usage patterns rather than limiting spaces to the number of spaces. Landlord may delegate its responsibilities hereunder to a parking operator in which case such parking operator shall have all the rights of control attributed hereby to the Landlord and, at Landlord's sole discretion, the monthly fees for parking spaces may be billed by and paid to the parking operator. The parking spaces rented by Tenant pursuant to this Article 28 are provided to Tenant solely for use by Tenant's own personnel and such spaces may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval. Tenant may validate visitor parking by such method or methods as the Landlord may establish, at the

validation rate from time to time generally applicable to visitor parking. Landlord may cancel parking spaces which remain unused for ninety (90) days or more.

ARTICLE 29

MISCELLANEOUS PROVISIONS

29.1 **Terms; Captions**. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. Whenever the words "including", "include" or "includes" are used in this

Lease, they should be interpreted in a non-exclusive manner. 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, 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 after the date of transfer and such transferee shall be deemed to have fully assumed and be liable for all obligations of this Lease to be performed by Landlord, including the return of any Security Deposit, and Tenant shall attorn to such transferee.

29.6 **Prohibition Against Recording**. Except as provided in Section 29.4 of this Lease, neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant.

29.7 **Landlord's Title**. Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord.

29.8 **Relationship of Parties**. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venture or any association between Landlord and Tenant.

29.9 **Application of Payments**. Landlord shall have the right to apply payments received from Tenant pursuant to this Lease, regardless of Tenant's designation of such payments, to satisfy any obligations of Tenant hereunder, in such order and amounts as Landlord, in its sole discretion, may elect.

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 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 Building or (b) the equity interest Landlord would have in the Building if the Building were encumbered by third-party debt in an amount equal to eighty percent (80%) of the value of the Building (as such value is determined by Landlord), provided that in no event shall such liability extend to any sales or insurance proceeds received by Landlord or the Landlord Parties in connection with the Project, Building or Premises. Neither Landlord, nor any of the Landlord Parties shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant. The limitations of liability contained in this Section 29.13 shall inure to the benefit of Landlord's and the Landlord Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Landlord (if Landlord is a partnership), or trustee or beneficiary (if Landlord or any partner of Landlord is a trust), have any liability for the performance of Landlord's obligations under this Lease. Notwithstanding any contrary provision herein, neither Landlord nor the Landlord Parties shall be liable under any circumstances for injury or damage to, or interference with, Tenant's business, including loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

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.

29.17 **Waiver of Redemption by Tenant**. Tenant hereby waives, for Tenant and for all those claiming under Tenant, any and all rights now or hereafter existing to redeem by statute, order or judgment of any court or by any legal process or writ, Tenant's right of occupancy of the Premises after any termination of this Lease or any entry of a judgment for possession of the Premises in favor of the Landlord.

29.18 **Notices**. All notices, demands, statements, designations, approvals or other communications (collectively, "**Notice**") 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) transmitted by telecopy, if such telecopy is promptly followed by a Notice sent by Mail, (C) delivered by a nationally recognized overnight courier, or (D) 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 in Section 11 of the Summary, 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) days after the date it is posted if sent by Mail, (ii) the date the telecopy is transmitted, (iii) the date the overnight courier delivery is made, or (iv) the date personal delivery is made.

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, each individual executing this Lease on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in the state in which the Project is located 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. In such event, Tenant shall, within ten (10) days after execution of this Lease, deliver to Landlord satisfactory evidence of such authority and, if a corporation, upon demand by Landlord, also deliver to Landlord satisfactory evidence of (i) good standing in Tenant's state of incorporation and (ii) qualification to do business in the state in which the Project is located.

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', experts' and arbitrators' fees and costs, 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 in which the Project is located. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, LANDLORD AND TENANT HEREBY CONSENT TO (I) THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE IN WHICH THE PROJECT IS LOCATED, (II) SERVICE OF PROCESS BY ANY MEANS AUTHORIZED BY THE LAW OF THE STATE IN WHICH THE PROJECT IS LOCATED, 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. THE PARTIES ACKNOWLEDGE AND UNDERSTAND THAT THE FOREGOING WAIVER MAY NOT BE CURRENTLY ENFORCEABLE, BUT INTEND THAT IT SHOULD BE ENFORCEABLE SHOULD CURRENT LAW EITHER PERMIT ITS ENFORCEABILITY OR HEREAFTER CHANGE TO PERMIT ITS ENFORCEABILITY.

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 13 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. Landlord agrees to indemnify and defend Tenant against and hold Tenant harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under Landlord and Tenant agrees to indemnify and defend the Landlord Parties against and hold them harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under Tenant. Landlord agrees to pay a brokerage commission to Brokers in accordance with the terms of a separate written commission agreement(s) to be entered into between Landlord and Brokers.

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 and Signage**. Landlord shall have the right at any time to change the name of the Project or Building and 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 **Confidentiality**. Tenant acknowledges that the content of this Lease and any related documents are confidential information. Tenant shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Tenant's financial, legal, and space planning consultants.

29.29 **Building Renovations**. It is specifically understood and agreed that Landlord has no obligation and has made no promises to alter, remodel, improve, renovate, repair or decorate the Premises, Building, or any part thereof and that no representations respecting the condition of the Premises or the Building have been made by Landlord to Tenant except as specifically set forth herein. However, Tenant hereby acknowledges that Landlord is currently renovating or may during the Lease Term renovate, improve, alter, or modify (collectively, the "**Renovations**") the Project, the Building and/or the Premises. Tenant hereby agrees that such Renovations shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent. Landlord shall have no responsibility and shall not be liable to Tenant for any injury to or interference with Tenant's business arising from the Renovations, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's personal property or improvements resulting from the Renovations, or for any inconvenience or annoyance occasioned by such Renovations.

29.30 **No Violation**. Tenant hereby warrants and represents that neither its execution of nor performance under this Lease shall cause Tenant to be in violation of any agreement, instrument, contract, law, rule or regulation by which Tenant is bound, and Tenant shall protect, defend, indemnify and hold Landlord harmless against any claims, demands, losses, damages, liabilities, costs and expenses, including reasonable attorneys' fees and costs, arising from Tenant's breach of this warranty and representation.

29.31 **Communications and Computer Lines**. Tenant may install, maintain, replace, remove or use any communications or computer wires and cables serving the Premises (collectively, the "**Lines**"), provided that (i) 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, (ii) an acceptable number of spare Lines and space for additional Lines shall be maintained for existing and future occupants of the Project, as determined in Landlord's reasonable opinion, (iii) the Lines therefor (including riser cables) shall be appropriately insulated to prevent excessive

electromagnetic fields or radiation, shall be surrounded by a protective conduit reasonably acceptable to Landlord, and shall be identified in accordance with the "Identification Requirements," as that term is set forth hereinbelow, (iv) any new or existing Lines servicing the Premises shall comply with all applicable governmental laws and regulations, (v) as a condition to permitting the installation of new Lines, Landlord may require that Tenant remove existing Lines located in or serving the Premises and repair any damage in connection with such removal, and (vi) Tenant shall pay all costs in connection therewith. All Lines shall be clearly marked with adhesive plastic labels using long-life adhesive (or plastic tags attached to such Lines with wire) to show Tenant's name, suite number, telephone number and the name of the person to contact in the case of an emergency (A) every four feet (4') outside the Premises (specifically including the electrical room risers and other Common Areas), and (B) at the Lines' termination point(s) (collectively, the "**Identification Requirements**"). Notwithstanding anything to the

contrary contained in this Lease, unless otherwise instructed by Landlord (by Notice to Tenant), Tenant shall, at Tenant's sole cost and expense, prior to the expiration or earlier termination of this Lease, remove any Lines located in or serving the Premises (and repair any resulting damage).

29.32 **Transportation Management**. Tenant shall fully comply with all present or future programs intended to manage parking, transportation or traffic in and around the Project and/or the Building, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities. Such programs may include, without limitation: (i) restrictions on the number of peak-hour vehicle trips generated by Tenant; (ii) increased vehicle occupancy; (iii) implementation of an in-house ridesharing program and an employee transportation coordinator; (iv) working with employees and any Project, Building or area-wide ridesharing program manager; (v) instituting employer-sponsored incentives (financial or in-kind) to encourage employees to rideshare; and (vi) utilizing flexible work shifts for employees.

29.33 **Development of the Project**.

29.33.1 **Subdivision**. Landlord reserves the right to further subdivide (including lot line adjustment) all or a portion of the Project and to relocate parking in connection therewith. 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 such subdivision.

29.33.2 **The Other Improvements**. If portions of the Project or property adjacent to the Project (collectively, the "**Other Improvements**") are owned by an entity other than Landlord, Landlord, at its option, may enter into an agreement with the owner or owners of any or all of the Other Improvements to provide (i) for reciprocal rights of access and/or use of the Project and the Other Improvements, (ii) for the common management, operation, maintenance, improvement and/or repair of all or any portion of the Project and the Other Improvements, provided that Tenant's rights under this Lease are not materially impaired, (iii) for the allocation of a portion of the Direct Expenses to the Other Improvements and for the allocation of a portion of the insurance expenses, operating expenses and tax expenses for the Other Improvements to the Project, and (iv) for the use or improvement of the Other Improvements and/or the Project in connection with the improvement, construction, and/or excavation of the Other Improvements and/or the Project. Nothing contained herein shall be deemed or construed to limit or otherwise affect Landlord's right to convey all or any portion of the Project or any other of Landlord's rights described in this Lease.

29.33.3 **Construction of Project and Other Improvements**. Tenant acknowledges that portions of the Project and/or the Other Improvements may be subject to demolition or 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 demolition or construction.

29.34 **USA Patriot Act**.

29.34.1 **Certification**. Tenant hereby agrees to pay any reasonable out of pocket costs (government fees, investigation or verification fees) incurred by Landlord in connection with compliance with the USA Patriot Act and hereby certifies to Landlord that:

(a) Tenant (which, for purposes of the certification contained in this Section 29.34.1, includes its partners, subpartners, members, parent organizations, affiliates, subsidiaries, principal shareholders and any other constituent entities, and their respective officers, directors, contractors, agents, servants, employees, licensees and invitees) is not in violation of any laws, executive orders or regulations relating to terrorism or money laundering, including Executive Order No. 13224 - Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001 (the "**Executive Order**") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT ACT) of 2001 (Public Law 107-56), enacted October 26, 2001, as amended (the "**USA Patriot Act**");

(b) Tenant has not been designated as a "Specially Designated National and Blocked Person" or other banned or blocked person, entity, nation or transaction pursuant to the Executive Order, the USA Patriot Act or any other law, order, rule, or regulation, and Tenant does not appear on any of the following lists: (i) the two (2) lists maintained by the United States Department of Commerce (Denied Persons and Entities; the Denied Persons list can be found at http://www.bis.doc.gov/DPUthedeniallist.asp; the Entity List can be accessed from http://www.bis.doc.gov/Entities/Default.htm); (ii) the list maintained by the United States Department of Treasury (Specially Designated Nationals and Blocked Persons, which can be found at http://www.ustreas.gov/ofacAllsdn.pdf); (iii) the two (2) lists maintained by the United States Department of State (Terrorist Organizations and Debarred Parties; the State Department List of Terrorists can be found at http://www.state.gov/s/ct/rls/fs/2001/6531.htm; the List of Debarred Parties can be found at

http://www.pmdtc.org/debar059.htm); and (iv) any other list of terrorists, terrorist, organizations or narcotics traffickers maintained pursuant to any of the rules and regulations of the Office of Foreign Assets Control of the United States Department of the Treasury, or by any other government or agency thereof (any such designated or listed person, entity, nation or transaction being referred to herein as a "**Designated Person or Entity**");

(c) Tenant is currently in compliance with and will at all times during the Lease Term (including any extension thereof) remain in compliance with the Executive Order, the USA Patriot Act and regulations of the Office of Foreign Assets Control of the United States Department of the Treasury, and any statute, executive order and other governmental action relating thereto; and

(d) Tenant is not engaged in this transaction, directly or indirectly on behalf of or instigating or facilitating this transaction, directly or indirectly on behalf of, any Designated Person or Entity.

29.34.2 **Indemnification**. Tenant hereby agrees to indemnify, defend, protect and hold harmless the Landlord Parties harmless from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorneys' fees and costs) arising from or related to any breach of the certification contained in Section 29.34.1, above.

29.34.3 **Right to Cancel Lease**. Landlord reserves the right to terminate this Lease in the event this transaction is now or hereafter prohibited by the USA Patriot Act or other Laws.

29.35 **Option to Extend**.

29.35.1 Tenant is hereby granted one (1) option to extend the initial Lease Term (the "**Option to Extend**") for a period of three (3) years (the "**Option Term**"). Upon the proper exercise of the Option to Extend, the Lease Term shall be extended for the Option Term. Tenant shall not have the

right to extend the initial Lease Term if as of the date of delivery of the Option Exercise Notice (as defined below), or as of the end of the initial Lease Term, Tenant is in default under this Lease beyond any applicable notice and cure period.

(a) The Option to Extend shall be exercised by Tenant, if at all, by giving written Notice of exercise (the "**Option Exercise Notice**") not more than twelve (12) months and not less than eight (8) months prior to the Expiration Date. Notwithstanding anything herein to the contrary, in the event that Tenant does not properly exercise its Option to Extend or if the Lease Term is hereafter extended by agreement of the parties and not by exercise of Tenant's Option to Extend, then Tenant's Option to Extend shall be null and void and of no further force or effect.

(b) Base Rent for the Option Term shall be adjusted to fair market Base Rent, as of the commencement of the Option Term, for renewals of comparable term and space in the Building and/or in similar class buildings in the submarket in which the Premises is located.

(c) The parties shall have thirty (30) days after Landlord receives the Option Exercise Notice in which to agree on fair market Base Rent during the Option Term. If the parties agree on the Base Rent for the Option Term during such thirty (30) day period, they shall immediately execute an amendment to this Lease stating the new Base Rent. If the parties are unable to agree on fair market Base Rent for the Option Term within such thirty (30) day period, the Option Exercise Notice shall be of no effect and this Lease shall expire on the Expiration Date. The parties to the Lease shall not have the right to have a court or other third party set the Base Rent or force an extension of the Lease Term.

29.35.2 The Option to Extend is granted by Landlord to the Tenant originally named in this Lease and to no other, and is personal as to such entity and shall not be exercised or assigned, voluntarily or involuntarily, by or to anyone or any other entity. Any assignment of this Option to Extend without Landlord's prior written consent shall be null and void and, at Landlord's election, shall constitute a default under the Lease. Landlord's consent to an assignment of the Lease shall not also constitute consent to assignment of the Option to Extend unless the Option to Extend is expressly included in Landlord's consent.

29.36 **Moving Allowance**. To help Tenant pay for third party out-of-pocket costs Tenant incurs in connection with moving its furniture and fixtures from the premises that it currently leases to the Premises (collectively, the "Moving Costs"), Landlord shall provide Tenant with an allowance in an amount up to, but no more than $7,096.00 (the "Moving Allowance"). Notwithstanding anything herein to the contrary, Landlord shall have no obligation to disburse all or any portion of the Moving Allowance unless Tenant demands disbursement thereof prior to June 30, 2011. The Moving Allowance, or applicable portion thereof, shall be disbursed by Landlord to Tenant within twenty (20) days after Tenant has delivered to Landlord copies of paid invoices from third parties evidencing the amount of the Moving Costs actually paid by Tenant.

[Signature Blocks on next page.]

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

LANDLORD:	TENANT:
GLENBOROUGH AVENTINE, LLC,	TRACON PHARMACEUTICALS, INC.,

a Delaware limited liability company

By: /s/ Illegible
Its Illegible

a Delaware corporation

By: /s/ Charles Theuer
Name: Charles Theuer
Title: CEO

By:
Name:
Title:

EXHIBIT B

THE AVENTINE

RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following Rules and Regulations. Landlord shall not be responsible to Tenant for the nonperformance of any of said Rules and Regulations by or otherwise with respect to the acts or omissions of any other tenants or occupants of the Project. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. **"Building Hours": 8:00 a.m. – 6:00 p.m. WEEKDAYS**
8:00 a.m. – 1:00 p.m. SATURDAYS

2. Tenant shall not alter or reprogram any lock or install any new or additional locks or bolts on any doors or windows of the Premises, interior or entry door, without obtaining Landlord's prior written consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant Omni codes will be furnished by Landlord for the Premises. Upon the termination of this Lease, Tenant shall restore to Landlord any keys or swipe cards and Landlord shall change any omni codes. Landlord may charge a reprogramming fee to change omni codes.

3. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises, and except that Landlord may permit some tenants to keep their doors open but only using a magnetic hold-open system, which is tied into the fire system. In the event of a fire, such doors must be free to automatically close.

4. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building during such hours as are customary for comparable buildings in the vicinity of the Building. Tenant, its employees and agents must be sure that the doors to the Building are securely closed and locked when leaving the Premises if it is after the normal hours of business for the Building. Any tenant, its employees, agents or any other persons entering or leaving the Building at any time when it is so locked, or any time when it is considered to be after normal business hours for the Building, may be required to sign the Building register. Access to the Building may be refused unless the person seeking access has proper identification or has a previously arranged pass for access to the Building. Landlord will furnish passes to persons for whom Tenant requests same in writing. Tenant shall be responsible for all persons for whom Tenant requests passes and shall be liable to Landlord for all acts of such persons. The Landlord and his agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building or the Project during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

5. No furniture, freight or equipment of any kind shall be brought into the Building without prior notice to Landlord. All moving activity into or out of the Building shall be scheduled with Landlord and done only at such time and in such manner as Landlord designates. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy property brought into the Building and also the times and manner of moving the same in and out of the Building. Safes and other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property

in any case. Any damage to any part of the Building, its contents, occupants or visitors by moving or maintaining any such safe or other property shall be the sole responsibility and expense of Tenant.

6. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours, in such specific elevator and by such personnel as shall be designated by Landlord.

7. The requirements of Tenant will be attended to only upon application at the management office for the Project or at such office location designated by Landlord. Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from Landlord.

8. No sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on any part of the Premises or the Building without the prior written consent of the Landlord. Tenant shall not disturb, solicit, peddle, or canvass any occupant of the Project and

shall cooperate with Landlord and its agents of Landlord to prevent same.

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

10. Tenant shall not overload the floor of the Premises, nor mark, drive nails or screws, or drill into the partitions, woodwork or drywall or in any way deface the Premises or any part thereof without Landlord's prior written consent. Tenant shall not purchase spring water, ice, towel, linen, maintenance or other like services from any person or persons not approved by Landlord.

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

12. Tenant shall not use or keep in or on the Premises, the Building, or the Project any kerosene, gasoline or other inflammable or combustible fluid, chemical, substance or material.

13. Tenant shall not without the prior written consent of Landlord use any method of heating or air conditioning other than that supplied by Landlord.

14. Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Project by reason of noise, odors, or vibrations, or interfere with other tenants or those having business therein, whether by the use of any musical instrument, radio, phonograph, or in any other way. Tenant shall not throw anything out of doors, windows or skylights or down passageways.

15. Tenant shall not bring into or keep within the Project, the Building or the Premises any animals, birds, aquariums, or, except in areas designated by Landlord, bicycles or other vehicles.

16. No cooking shall be done or permitted on the Premises, nor shall the Premises be used for the storage of merchandise, for lodging or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' laboratory-approved equipment and microwave ovens may

be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and visitors, provided that such use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

17. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the use of the Premises provided for in the Summary. Tenant shall not occupy or permit any portion of the Premises to be occupied as an office for a messenger-type operation or dispatch office, public stenographer or typist, or for the manufacture or sale of liquor, narcotics, or tobacco in any form, or as a medical office, or as a barber or manicure shop, or as an employment bureau without the express prior written consent of Landlord. Tenant shall not engage or pay any employees on the Premises except those actually working for such tenant on the Premises nor advertise for laborers giving an address at the Premises.

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

19. Tenant, its employees and agents shall not loiter in or on the entrances, corridors, sidewalks, lobbies, courts, halls, stairways, elevators, vestibules or any Common Areas for the purpose of smoking tobacco or other smoking products or for any other purpose, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Premises. Landlord shall designate limited smoking areas for employees.

20. Tenant shall not waste electricity, water or air conditioning and agrees to cooperate fully with Landlord to ensure the most effective operation of the Building's heating and air conditioning system, and shall refrain from attempting to adjust any controls.

21. Tenant shall store all its trash and garbage within the interior of the Premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the vicinity of the Building without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entry-ways and elevators provided for such purposes at such times as Landlord shall designate. Tenant shall comply with Landlord's standards relative to waste management and recycling.

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

23. Any persons employed by Tenant to do janitorial work shall be subject to the prior written approval, of Landlord, and while in the Building and outside of the Premises, shall be subject to and under the control and direction of the Building manager (but not as an agent or servant of such manager or of Landlord), and Tenant shall be responsible for all acts of such persons.

24. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord, and no curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises other than Landlord standard drapes. All electrical ceiling fixtures hung in the Premises or spaces along the perimeter of the Building must be fluorescent and/or of a quality, type, design and a warm white bulb color approved in advance in writing by Landlord. Neither the interior nor exterior of any

windows shall be coated or otherwise sunscreened without the prior written consent of Landlord. Tenant shall abide by Landlord's regulations concerning the opening and closing of window coverings which are attached to the windows

in the Premises, if any, which have a view of any interior portion of the Building or Building Common Areas.

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

26. Tenant must comply with requests by the Landlord concerning the informing of their employees of items of importance to the Landlord.

27. Tenant must comply with the State of California "No Smoking" law set forth in California Labor Code Section 6404.5, and any local "No Smoking" ordinance which may be in effect from time to time and which is not superseded by such State law. Tenant, Tenant's employees, agents and invitees shall observe the "No Smoking in the Common Area of the Building" policy, which shall be enforced by Landlord.

28. Tenant hereby acknowledges that Landlord shall have no obligation to provide guard service or other security measures for the benefit of the Premises, the Building or the Project and that if attendants (uniformed or otherwise) are provided and/or monitoring systems or access controls are provided, the same are no assurance of personal safety. Tenant hereby assumes all responsibility for the protection of Tenant and its agents, employees, contractors, invitees and guests, and the property thereof, from acts of third parties, including keeping doors locked and other means of entry to the Premises closed, whether or not Landlord, at its option, elects to provide any security measures whatsoever for the Project or any portion thereof. Tenant further assumes the risk that any safety and security devices, services and programs which Landlord elects, in its sole discretion, to provide may not be effective, or may malfunction or be circumvented by an unauthorized third party, and Tenant shall, in addition to its other insurance obligations under this Lease, obtain its own insurance coverage to the extent Tenant desires protection against losses related to such occurrences. Tenant shall cooperate in any reasonable safety or security program developed by Landlord or required by law.

29. All office equipment of any electrical or mechanical nature shall be placed by Tenant in the Premises in settings approved by Landlord, to absorb or prevent any vibration, noise and annoyance.

30. Tenant shall not use in any space or in the public halls of the Building, any hand trucks except those equipped with rubber tires and rubber side guards.

31. No auction, liquidation, fire sale, going-out-of-business or bankruptcy sale shall be conducted in the Premises without the prior written consent of Landlord.

32. No tenant shall use or permit the use of any portion of the Premises for living quarters, sleeping apartments or lodging rooms.

33. Landlord shall have the right to prohibit the use of the name of the Building or any other publicity by Tenant that in Landlord's sole opinion may impair the reputation of the Building or its desirability. Upon written notice from Landlord, Tenant shall refrain from and discontinue such publicity immediately.

Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Premises, Building, the Common Areas and the Project, and for the preservation of good order therein, as

well as for the convenience of other occupants and tenants therein. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant, nor prevent Landlord from thereafter enforcing any such Rules or Regulations against any or all tenants of the Project. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them as a condition of its occupancy of the Premises.

EXHIBIT C

THE AVENTINE

FORM OF NOTICE OF LEASE TERM DATES

To: _____

_____
_____
_____

Re: Office Lease dated _____, 200_ between _____, a _____ ("**Landlord**"), and _____, a _____ ("**Tenant**") concerning Suite ___ on floor(s) ___(__) of the office building located at, _____, _____, _____.

Gentlemen:

In accordance with the Office 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. The approximate number of rentable square feet within the Premises is _____ square feet.

3. Tenant's Share is _____%.

Agreed to and Accepted as
of _____, 201_.

"Tenant":	**"Landlord":**
_____	_____
a _____	a _____
By: _____	By: _____
Its: _____	Its: _____

EXHIBIT D

THE AVENTINE

TENANT WORK LETTER

Not Applicable.

EXHIBIT E

THE AVENTINE

FORM OF TENANT'S ESTOPPEL CERTIFICATE

The undersigned as Tenant under that certain Office Lease (the "Lease") made and entered into as of _____, 200 by and between _____ a _____ as Landlord, and the undersigned as Tenant, for Premises on the _____(__) floor(s) of the office building located at _____, 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.

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. 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.

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. 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, each individual executing this Estoppel Certificate on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in _____ 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 or suffered, nor does Tenant have any knowledge of, 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 _____, 200_.

"Tenant":

_____

a _____

By: _____
Its: _____

By: _____
Its: _____

OFFICE LEASE

The Aventine
8910 University Center Lane, Suite 700
San Diego, CA 92122

GLENBOROUGH AVENTINE, LLC,
a Delaware limited liability company,

as Landlord,

and

TRACON PHARMACEUTICALS, INC.,
a Delaware corporation

as Tenant.

FIRST AMENDMENT

THIS FIRST AMENDMENT (this "**Amendment**") is made and entered into as of September 16, 2013, by and between **GLENBOROUGH AVENTINE, LLC**, **a Delaware limited liability company** ("**Landlord**"), and **TRACON PHARMACEUTICALS, INC., a Delaware corporation** ("**Tenant**").

RECITALS

A. Landlord and Tenant are parties to that certain lease dated February 10, 2011 (the "**Lease**"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately **3,548** rentable square feet (the "**Premises**") described as Suite 700 on the seventh floor of the building commonly known as The Aventine located at 8910 University Lane, San Diego, California (the "**Building**").

B. The Lease will expire by its terms on February 28, 2014 (the "**Existing Expiration Date**"), and the parties wish to extend the term of the Lease on the following terms and conditions.

NOW, THEREFORE, in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and conditions contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Extension**. The term of the Lease is hereby extended through April 30, 2017 (the "**Extended Expiration Date**"). The portion of the term of the Lease beginning on the date immediately following the Existing Expiration Date (the "**Extension Date**") and ending on the Extended Expiration Date shall be referred to herein as the "**Extended Term**".

2. **Base Rent**. During the Extended Term, the schedule of Base Rent shall be as follows:

Period of Extended Term	Annual Rate Per Square Foot (rounded to the nearest 100th of a dollar)	Monthly Base Rent
3/1/14 — 2/28/15	$36.00	$10,644.00
3/1/15 — 2/29/16	$37.26	$11,016.54
3/1/16 — 2/28/17	$38.56	$11,400.91
3/1/17 — 4/30/17	$39.91	$11,800.06

Notwithstanding the foregoing, so long as no Default exists, Tenant shall be entitled to an abatement of Base Rent, in the amount of $5,322.00 (for purposes of this Section 2, "**Abated Base Rent**") per month, for the first four (4) consecutive full calendar months of the Extended Term. Tenant shall be responsible for any Base Rent due after the application of the Abated Base Rent.

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease, as amended.

3. **Additional Security Deposit**. Upon Tenant's execution hereof, Tenant shall pay Landlord the sum of $15,617.12 which shall be added to and become part of the Security Deposit held by Landlord pursuant to Section 8 of the Summary of Basic Lease Information of the Lease and Article 21 of the Lease. Accordingly, simultaneously with the execution hereof, the Security Deposit is hereby increased from $7,983.00 to $23,600.12.

4. **Operating Expenses and Tax Expenses**. During the Extended Term, Tenant shall pay for Tenant's Share of Operating Expenses and Tax Expenses in accordance with the terms of the Lease; provided, however, that during the Extended Term, the Base Year for Operating Expenses and Taxes shall be 2014.

5. **Improvements to Premises.**

5.1. **Configuration and Condition of Premises**. Tenant acknowledges that it is in possession of the Premises and agrees to accept it "as is" without any representation by Landlord regarding its configuration or condition and without any obligation on the part of Landlord to perform or pay for any alteration or improvement, except as may be otherwise expressly provided in this Amendment.

5.2. **Responsibility for Improvements to Premises**. Landlord shall perform improvements to the Premises in accordance with the Extension Work Letter attached hereto as **Exhibit A**.

6. **Other Pertinent Provisions**. Landlord and Tenant agree that, effective as of the date of this Amendment (unless different effective date(s) is/are specifically referenced in this Section), the Lease shall be amended in the following additional respects:

6.1. **California Public Resources Code 25402.10**. If Tenant (or any party claiming by, through or under Tenant) pays directly to the provider for any energy consumed at the Property, Tenant, promptly upon request, shall deliver to Landlord (or, at Landlord's option, execute and deliver to Landlord an instrument enabling Landlord to obtain from such provider) any data about such consumption that Landlord, in its reasonable judgment, is required to disclose to a prospective buyer, tenant or Security Holder under California Public Resources Code § 25402.10 or any similar Law.

6.2. **California Civil Code Section 1938**. Pursuant to California Civil Code § 1938, Landlord hereby states that the Premises have not undergone inspection by a Certified Access Specialist (CASp) (defined in California Civil Code § 55.52).

6.3. **Address of Landlord**. The Address of the Landlord set forth in Section 11 of the Summary of Basic Lease Information of the Lease is hereby deleted in its entirety and is replaced with the following:

Glenborough Aventine, LLC
c/o Equity Office
6080 Center Drive, Suite 200
Los Angeles, CA 90045
Attn: Market Managing Director

with copies to:

Glenborough Aventine, LLC
c/o Equity Office
8910 University Center Lane, Suite 780
San Diego, CA 92122
Attn: Property Management

and

Glenborough Aventine, LLC
c/o Equity Office
2655 Campus Drive, Suite 100
San Mateo, CA 94403
Attn: Managing Counsel

and

Glenborough Aventine, LLC
c/o Equity Office
Two North Riverside Plaza
Suite 2100
Chicago, IL 60606
Attn: Lease Administration

Notwithstanding anything to the contrary contained in the Lease, as amended hereby, Rent shall be made payable to the entity, and sent to the address, Landlord designates and shall be made by good and sufficient check or by other means acceptable to Landlord.

6.4. **Deletion**. Section 29.35 of the Lease, entitled "Option to Extend", is hereby deleted in its entirety and is of no further force and effect.

6.5. **Permitted Use**. No portion of the Premises shall be used for any of the following uses: any pornographic or obscene purposes, any commercial sex establishment, any pornographic, obscene, nude or semi-nude performances, modeling, materials, activities, or sexual conduct or any other use that, as of the time of the execution hereof, has or could reasonably be expected to have a material adverse effect on the Property or its use, operation or value.

6.6. **Parking.** Effective as of the Extension Date, the first three sentences of Section 9 of the Summary of Basic Lease Information of the Lease are hereby deleted in their entirety and are replaced with the following:

"Thirteen (13) unreserved parking spaces, at the rate of $60.00 per space per month, as such rate may be adjusted from time to time to reflect Landlord's then current rates. Tenant's use of such parking spaces shall be subject to Article 28 of the Lease, including, without limitation, Tenant's right to surrender all or any number of such spaces to Landlord"

7. **Other Provisions**. Notwithstanding any contrary provision of the Lease:

7.1. **Insurance**. Each party waives, and shall cause its insurance carrier to waive, any right of recovery against the other party (or any party affiliated with or acting on behalf of such other party) for any loss of or damage to property which loss or damage is (or, if the insurance required under the Lease had been carried, would have been) covered by the waiving party's property insurance. For purposes of this Section only, (a) Tenant shall be deemed to be required to maintain Property and Income Coverage Insurance written on an All Risk or Special Cause of Loss Form, at replacement cost value and with a replacement cost endorsement covering all of Tenant's property within the Premises; (b) any deductible with respect to a party's insurance shall be deemed covered by, and recoverable by such party under, valid and collectable policies of insurance; and (c) any contractor retained by Landlord to install, maintain or monitor a fire or security alarm for the Building shall be deemed to act on behalf of Landlord.

7.2. **Landlord's Liability**. Before entering into or amending any sublease, Tenant shall cause the subtenant to execute and deliver to Landlord an instrument that (i) requires the subtenant, for the benefit of Landlord with respect to the subleased premises, to be bound by each provision of the Lease or hereof that limits the liability of any Landlord Party, and (ii) is in a form reasonably acceptable to Landlord.

7.3. **Statutory Provisions**. Tenant waives any right to terminate the Lease under California Civil Code § 1995.310.

7.4. **Miscellaneous**. Tenant represents, warrants and covenants that no party that (other than through the passive ownership of interests traded on a recognized securities exchange) constitutes, owns, controls, or is owned or controlled by Tenant or any guarantor or subtenant of Tenant is, or at any time during the term of the Lease will be, (a) in violation of any laws relating to terrorism or money laundering, or (b) among the parties identified on any list compiled pursuant to Executive Order 13224 for the purpose of identifying suspected terrorists or on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/ofac/tllsdn.pdf or any replacement website or other replacement official publication of such list.

7.5. **Application**. Notwithstanding any contrary provision hereof, Sections 7.1 through 7.4 above shall not (a) apply to any period occurring before the Extension Date, or (b) limit any obligation of Tenant or any right or remedy of Landlord, or increase Landlord's obligations, under the Lease (except as may be provided in Section 7.1 above).

8. **Miscellaneous.**

8.1. This Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Tenant shall not be entitled, in connection with entering into this Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, except as may be otherwise expressly provided in this Amendment.

8.2. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

8.3. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.

8.4. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered it to Tenant.

8.5. Capitalized terms used but not defined in this Amendment shall have the meanings given in the Lease.

8.6. Tenant shall indemnify and hold Landlord, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents harmless from all claims of any brokers (other than Hughes Marino) claiming to have represented Tenant in connection with this Amendment. Landlord shall indemnify and hold Tenant, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, and agents, and the respective principals and members of any such agents harmless from all claims of any brokers claiming to have represented Landlord in connection with this Amendment. Tenant acknowledges that any assistance rendered by any agent or employee of any affiliate of Landlord in connection with this Amendment has been made as an accommodation to Tenant solely in furtherance of consummating the transaction on behalf of Landlord, and not as agent for Tenant.

8.7. If Tenant has any expansion right (whether such right is designated as a right of first offer, right of first refusal, expansion option or otherwise) that was granted to Tenant under the Lease (as determined without giving effect to this Amendment) and that, by virtue of this Amendment, will continue in effect during the Extended Term, then, from and after the Extension Date, such expansion right shall be subject and subordinate to any expansion right (whether such right is designated as a right of first offer, right of first refusal, expansion option or otherwise) of any tenant of the Building existing on the date of mutual execution and delivery hereof.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the day and year first above written.

LANDLORD:

GLENBOROUGH AVENTINE, LLC, **a Delaware limited liability company**

By: /s/ Frank Campbell

Name: Frank Campbell

Title: Market Managing Director

TENANT:

TRACON PHARMACEUTICALS, INC., a Delaware corporation

By: /s/ Charles Theuer

Name: Charles Theuer

Title: CEO

EXHIBIT A

EXTENSION WORK LETTER

As used in this **Exhibit A** (this "**Extension Work Letter**"), the following terms shall have the following meanings: "**Agreement**" means the amendment of which this Extension Work Letter is a part. For purposes of this **Exhibit A**, "**Tenant Improvements**" means all improvements to be constructed in the Premises pursuant to this Extension Work Letter. For purposes of this **Exhibit A**, "**Tenant Improvement Work**" means the construction of the Tenant Improvements, together with any related work (including demolition) that is necessary to construct the Tenant Improvements.

1 ALLOWANCE.

1.1 **Allowance**. Tenant shall be entitled to a one-time tenant improvement allowance (for purposes of this **Exhibit A**, the "**Allowance**") in the amount of $6.50 per rentable square foot of the Premises to be applied toward the Allowance Items (defined in Section 1.2 below). Tenant shall be responsible for all costs associated with the Tenant Improvement Work, including the costs of the Allowance Items, to the extent such costs exceed the lesser of (a) the Allowance, or (b) the aggregate amount that Landlord is required to disburse for such purpose pursuant to this Extension Work Letter. Notwithstanding any contrary provision of this Agreement, if Tenant fails to use the entire Allowance by six (6) months after the Extension Date, the unused amount shall be applied by Landlord (until exhausted) towards Tenant's Base Rent as the same becomes due. Tenant shall be responsible for any Base Rent due after the application of the Allowance.

1.2 **Disbursement**. Except as otherwise provided in this Extension Work Letter, the Allowance shall be disbursed by Landlord only for the following items (for purposes of this **Exhibit A**, the "**Allowance Items**"): (a) the fees of the Architect (defined in Section 2.1 below) and the Engineers (defined in Section 2.1 below); (b) plan-check, permit and license fees relating to performance of the Tenant Improvement Work; (c) the cost of performing the Tenant Improvement Work, including after hours charges, testing and inspection costs, freight elevator usage, hoisting and trash removal costs, and contractors' fees and general conditions; (d) the cost of any change to the base, shell or core of the Premises or Building required by the Plans (defined in Section 2.1 below) (including if such change is due to the fact that such work is prepared on an unoccupied basis), including all direct architectural and/or engineering fees and expenses incurred in connection therewith; (e) the cost of any change to the Plans or Tenant Improvement Work required by law; (f) the Landlord Supervision Fee (defined in Section 3.2.2 below); (g) sales and use taxes; and (h) all other costs expended by Landlord in connection with the performance of the Tenant Improvement Work.

2 PLANS AND PRICING.

2.1 **Selection of Architect**. Landlord shall retain the architect/space planner (for purposes of this **Exhibit A**, the "**Architect**") and the engineering consultants (for purposes of this **Exhibit A**, the "**Engineers**") of Landlord's choice to prepare all architectural plans for the Premises and all engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, life-safety, and sprinkler work in the Premises. The plans and drawings to be prepared by the Architect and the Engineers shall be referred to in this Extension Work Letter as the "**Plans**." Tenant shall be responsiblefor ensuring that all elements of the design of the Plans are suitable for Tenant's use of the Premises, and neither the preparation of the Plans by the Architect or the Engineers nor Landlord's approval of the Plans shall relieve Tenant from such responsibility. Landlord shall cause the Architect and the Engineers to usethe Required Level of Care (defined below) to cause the Plans to comply with law; provided, however,that Tenant, not Landlord, shall be responsible for any violation of law by the Plans resulting fromTenant's use of the Premises for other than general office purposes. As used herein, "**Required Level of Care**" means the level of care that reputable architects and engineers customarily use to cause drawingsand specifications to comply with law where such drawings and specifications are prepared for spaces in buildings comparable in quality to the Building. Tenant shall be responsible for ensuring that the Plans comply with law to the extent Landlord is not expressly so responsible under this Section 2.1, and neitherthe preparation of the Plans by the Architect or the Engineers nor Landlord's approval of the Plans shall relieve Tenant from such responsibility. To the extent that either party (for purposes of this **Exhibit A**,the "**Responsible Party**") is responsible under this Section 2.1 for causing the Plans to comply with law,the Responsible Party may contest any alleged violation of Law in good faith, including by seeking awaiver or deferment of compliance, asserting any defense allowed by law, and exercising any right ofappeal (provided that the other party incurs no liability as a result of such contest and that, aftercompleting such contest, the Responsible Party makes any modification to the Plans or any alteration tothe Premises that is necessary to comply with any final order or judgment).

2.2 **Initial Programming Information**. Tenant shall deliver to Landlord, in writing, all information necessary in the judgment of Landlord, the Architect and the Engineers for the preparation ofa conceptual space plan for the Premises (for purposes of this **Exhibit A**, a "**Space Plan**"), including

layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein, the number and sizes of workstations, number and size of kitchen, copy, reception and storage areas (for purposes of this **Exhibit A**, collectively, the "**Initial Programming Information**"). The Initial Programming Information shall be consistent with Landlord's requirements for avoiding aesthetic, engineering or other conflicts with the design and function of the balance of the Building (for purposes of this **Exhibit A**, collectively, the "**Landlord Requirements**") and shall otherwise be subject to Landlord's reasonable approval. Landlord shall provide Tenant with notice approving or reasonably disapproving the Initial Programming Information within five (5) business days after the later of Landlord's receipt thereof or the mutual execution and delivery of this Agreement. If Landlord disapproves the Initial Programming Information, Landlord's notice of disapproval shall describe with reasonable specificity the basis for such disapproval and the changes that would be necessary to resolve Landlord's objections. If Landlord disapproves the Initial Programming Information, Tenant shall modify the Initial Programming Information and resubmit it for Landlord's review and approval. Such procedure shall be repeated as necessary until Landlord has approved the Initial Programming Information.

2.3 **Space Plan**. After approving the Initial Programming Information, Landlord shall cause the Architect to prepare and deliver to Tenant a Space Plan that conforms to the Initial Programming Information. Such preparation and delivery shall occur within 10 business days after the later of Landlord's approval of the Initial Programming Information or the mutual execution and delivery of this Agreement. Tenant shall approve or disapprove the Space Plan by notice to Landlord. If Tenant disapproves the Space Plan, Tenant's notice of disapproval shall specify any revisions Tenant desires in the Space Plan. After receiving such notice of disapproval, Landlord shall cause the Architect to revise the Space Plan, taking into account the reasons for Tenant's disapproval (provided, however, that Landlord shall not be required to cause the Architect to make any revision to the Space Plan that is inconsistent with the Landlord Requirements or that Landlord otherwise reasonably disapproves), and resubmit the Space Plan to Tenant for its approval. Such revision and resubmission shall occur within five (5) business days after the later of Landlord's receipt of Tenant's notice of disapproval or the mutual execution and delivery of this Agreement if such revision is not material, and within such longer period of time as may be reasonably necessary (but not more than 10 business days after the later of such receipt or such execution and delivery) if such revision is material. Such procedure shall be repeated as necessary until Tenant has approved the Space Plan.

2.4 **Additional Programming Information**. After approving the Space Plan, Tenant shall deliver to Landlord, in writing, all information that, together with the Space Plan, is necessary in the judgment of Landlord, the Architect and the Engineers to complete the architectural, engineering and final architectural working drawings for the Premises in a form that is sufficient to enable subcontractors to bid on the work and to obtain all applicable permits for the Tenant Improvement Work (for purposes of this **Exhibit A**, the "**Construction Drawings**"), including electrical requirements, telephone requirements, special HVAC requirements, plumbing requirements, and all interior and special finishes (for purposes of this **Exhibit A**, collectively, the "**Additional Programming Information**"). The Additional Programming Information shall be consistent with the Landlord Requirements and shall otherwise be subject to Landlord's reasonable approval. Landlord shall provide Tenant with notice approving or reasonably disapproving the Additional Programming Information within five (5) business days after the later of Landlord's receipt thereof or the mutual execution and delivery of this Agreement. If Landlord disapproves the Additional Programming Information, Landlord's notice of disapproval shall describe with reasonable specificity the basis for such disapproval and the changes that would be necessary to resolve Landlord's objections. If Landlord disapproves the Additional Programming Information, Tenant shall modify the Additional Programming Information and resubmit it for Landlord's review and approval. Such procedure shall be repeated as necessary until Landlord has approved the Additional Programming Information. If requested by Tenant, Landlord, in its sole and absolute discretion, may assist Tenant, or cause the Architect and/or the Engineers to assist Tenant, in preparing all or a portion of the Additional Programming Information; provided, however, that, whether or not the Additional Programming Information is prepared with such assistance, Tenant shall be solely responsible for the timely preparation and delivery of the Additional Programming Information and for all elements thereof and, subject to Section 1 above, all costs relating thereto.

2.5 **Construction Drawings**. After approving the Additional Programming Information, Landlord shall cause the Architect and the Engineers to prepare and deliver to Tenant Construction Drawings that conform to the approved Space Plan and the approved Additional Programming Information. Such preparation and delivery shall occur within 10 business days after the later of Landlord's approval of the Additional Programming Information or the mutual execution and delivery of this Agreement. Tenant shall approve or disapprove the Construction Drawings by notice to Landlord. If Tenant disapproves the Construction Drawings, Tenant's notice of disapproval shall specify any revisions Tenant desires in the Construction Drawings. After receiving such notice of disapproval, Landlord shall cause the Architect and/or the Engineers to revise the Construction Drawings, taking into account the reasons for Tenant's disapproval (provided, however, that Landlord shall not be required to cause the Architect or the Engineers to make any revision to the Construction Drawings that is inconsistent with the

Landlord Requirements or that Landlord otherwise reasonably disapproves), and resubmit the Construction Drawings to Tenant for its approval. Such revision and resubmission shall occur within five (5) business days after the later of Landlord's receipt of Tenant's notice of disapproval or the mutual execution and delivery of this Agreement if such revision is not material, and within such longer period of time as may be reasonably necessary (but not more than 10 business days after the later of such receipt or such mutual execution and delivery) if such revision is material. Such procedure shall be repeated as necessary until Tenant has approved the Construction Drawings. The Construction Drawings approved by Landlord and Tenant are referred to in this Extension Work Letter as the "**Approved Construction Drawings**".

2.6 **Construction Pricing**. Within 10 business days after the Approved Construction Drawings are approved by Landlord and Tenant, Landlord shall provide Tenant with Landlord's reasonable estimate (for purposes of this **Exhibit A**, the "**Construction Pricing Proposal**") of the cost of all Allowance Items to be incurred by Tenant in connection with the performance of the Tenant Improvement Work pursuant to the Approved Construction Drawings. Tenant shall provide Landlord with notice approving or disapproving the Construction Pricing Proposal. If Tenant disapproves the Construction Pricing Proposal, Tenant's notice of disapproval shall be accompanied by proposed revisions to the Approved Construction Drawings that Tenant requests in order to resolve its objections to the Construction Pricing Proposal, and Landlord shall respond as required under Section 2.7 below. Such procedure shall be repeated as necessary until the Construction Pricing Proposal is approved by Tenant.

Upon Tenant's approval of the Construction Pricing Proposal, Landlord may purchase the items set forth in the Construction Pricing Proposal and commence construction relating to such items.

2.7 **Revisions to Approved Construction Drawings**. If Tenant requests any revision to the Approved Construction Drawings, Landlord shall provide Tenant with notice approving or reasonably disapproving such revision, and, if Landlord approves such revision, Landlord shall have such revision made and delivered to Tenant, together with notice of any resulting change in the most recent Construction Pricing Proposal, if any, within 10 business days after the later of Landlord's receipt of such request or the mutual execution and delivery of this Agreement if such revision is not material, and within such longer period of time as may be reasonably necessary (but not more than 10 business days after the later of such receipt or such execution and delivery) if such revision is material, whereupon Tenant, within one (1) business day, shall notify Landlord whether it desires to proceed with such revision. If Landlord has commenced performance of the Tenant Improvement Work, then, in the absence of such authorization, Landlord shall have the option to continue such performance disregarding such revision. Landlord shall not revise the Approved Construction Drawings without Tenant's consent, which shall not be unreasonably withheld, conditioned or delayed.

2.8 **Time Deadlines**. Tenant shall use its best efforts to cooperate with Landlord and its architect, engineers and other consultants to complete all phases of the Plans, approve the Construction Pricing Proposal and obtain the permits for the Tenant Improvement Work as soon as possible after the execution of this Agreement, and Tenant shall meet with Landlord, in accordance with a schedule determined by Landlord, to discuss the parties' progress. Without limiting the foregoing, Tenant shall approve the Construction Pricing Proposal pursuant to Section 2.6 above on or before Tenant's Approval Deadline (defined below). As used in this Extension Work Letter, "**Tenant's Approval Deadline**" means the date occurring 90 days after the mutual execution and delivery of this Agreement; provided, however, that Tenant's Approval Deadline shall be extended by one day for each day, if any, by which Tenant's approval of the Construction Pricing Proposal pursuant to Section 2.6 above is delayed by any failure of Landlord to perform its obligations under this Section 2.

3 CONSTRUCTION.

3.1 **Contractor.** A contractor designated by Landlord (for purposes of this **Exhibit A**, the "**Contractor**") shall perform the Tenant Improvement Work. In addition, Landlord may select and/or approve of any subcontractors, mechanics and materialmen used in connection with the performance of the Tenant Improvement Work.

3.2 **Construction**.

3.2.1 **Over-Allowance Amount**. If the Construction Pricing Proposal exceeds the Allowance, then, concurrently with its delivery to Landlord of approval of the Construction Pricing Proposal, Tenant shall deliver to Landlord cash in the amount of such excess (for purposes of this **Exhibit A,** the "**Over-Allowance Amount**"). Any Over-Allowance Amount shall be disbursed by Landlord before the Allowance and pursuant to the same procedure as the Allowance. After the Construction Pricing Proposal is approved by Tenant, if any revision is made to the Approved Construction Drawings or the Tenant Improvement Work that increases the Construction Pricing Proposal, or if the Construction Pricing Proposal is otherwise increased to reflect the actual cost of all Allowance Items to be incurred by Tenant in connection with the performance of the Tenant Improvement Work pursuant to the Approved

Construction Drawings, then Tenant shall deliver any resulting Over-Allowance Amount (or any resulting increase in the Over-Allowance Amount) to Landlord immediately upon Landlord's request.

3.2.2 **Landlord's Retention of Contractor**. Landlord shall independently retain the Contractor to perform the Tenant Improvement Work in accordance with the Approved Construction Drawings. Tenant shall pay a construction supervision and management fee (for purposes of this **Exhibit A**, the "**Landlord Supervision Fee**") to Landlord in an amount equal to 5% of the aggregate amount of all Allowance Items other than the Landlord Supervision Fee.

3.2.3 **Contractor's Warranties**. Tenant waives all claims against Landlord relating to any defects in the Tenant Improvements; provided, however, that if, within 30 days after substantial completion of the Tenant Improvement Work, Tenant provides notice to Landlord of any non-latent defect in the Tenant Improvements, or if, within 11 months after substantial completion of the Tenant Improvement Work, Tenant provides notice to Landlord of any latent defect in the Tenant Improvements, then Landlord shall, at its option, either (a) assign to Tenant any right Landlord may have under the Construction Contract (defined below) to require the Contractor to correct, or pay for the correction of, such defect, or (b) at Tenant's expense, use reasonable efforts to enforce such right directly against the Contractor for Tenant's benefit. As used in this Extension Work Letter, "**Construction Contract**" means the construction contract between Landlord and the Contractor pursuant to which the Tenant Improvements will be constructed.

4 COMPLETION. Tenant acknowledges and agrees that the Tenant Improvement Work may be performed during Building Hours before or after the Extension Date. Landlord and Tenant shall cooperate with each other in order to enable the Tenant Improvement Work to be performed in a timely manner and with as little inconvenience to the operation of Tenant's business as is reasonably possible. Notwithstanding any contrary provision of this Agreement, any delay in the completion of the Tenant Improvement Work or inconvenience suffered by Tenant during the performance of the Tenant Improvement Work shall not delay the Extension Date, nor shall it subject Landlord to any liability for any loss or damage resulting therefrom or entitle Tenant to any credit, abatement or adjustment of rent or other sums payable under the Lease.

5 MISCELLANEOUS. Notwithstanding any contrary provision of this Agreement, if Tenant defaults under the Lease before the Tenant Improvement Work is completed, Landlord's obligations under this Extension Work Letter shall be excused until such default is cured and Tenant shall be responsible for any resulting delay in the completion of the Tenant Improvement Work. This Extension Work Letter shall not apply to any space other than the Premises.

SECOND AMENDMENT

THIS SECOND AMENDMENT (this "**Amendment**") is made and entered into as of September 15, 2014, by and between **GLENBOROUGH AVENTINE, LLC, a Delaware limited liability company** ("**Landlord**"), and **TRACON PHARMACEUTICALS, INC., a Delaware corporation** ("**Tenant**").

RECITALS

A. Landlord and Tenant are parties to that certain lease dated February 10, 2011, as previously amended by that certain First Amendment ("**First Amendment**") dated September 16, 2013 (as amended, the "**Lease**"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately **3,548** rentable square feet (the "**Existing Premises**") described as Suite 700 on the seventh floor of the building commonly known as The Aventine-Office located at 8910 University Center Lane, San Diego, California (the "**Building**").

B. The parties wish to expand the Premises (defined in the Lease) to include additional space, containing approximately **1,486** rentable square feet described as Suite 780 on the seventh floor of the Building and shown on **Exhibit A** attached hereto (the "**Expansion Space**"), on the following terms and conditions.

NOW, THEREFORE, in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and conditions contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Expansion.**

1.1. **Effect of Expansion.** Effective as of the Expansion Effective Date (defined in Section 1.2 below), the Premises shall be increased from 3,548 rentable square feet on the seventh floor to **5,034** rentable square feet on the seventh floor by the addition of the Expansion Space, and, from and after the Expansion Effective Date, the Existing Premises and the Expansion Space shall collectively be deemed the Premises. The term of the Lease for the Expansion Space (the "**Expansion Term**") shall commence on the Expansion Effective Date and, unless sooner terminated in accordance with the Lease, end on the Extended Expiration Date (which the parties acknowledge is April 30, 2017). From and after the Expansion Effective Date, the Expansion Space shall be subject to all the terms and conditions of the Lease except as provided herein. Except as may be expressly provided herein, (a) Tenant shall not be entitled to receive, with respect to the Expansion Space, any allowance, free rent or other financial concession granted with respect to the Existing Premises, and (b) no representation or warranty made by Landlord with respect to the Existing Premises shall apply to the Expansion Space.

1.2. **Expansion Effective Date.** As used herein, "**Expansion Effective Date**" means the earlier of (i) the first date on which Tenant conducts business in the Expansion Space, or (ii) the date on which the Tenant Improvement Work (defined in **Exhibit B** attached hereto) is Substantially Complete (defined in **Exhibit B** attached hereto), which is anticipated to be October 15, 2014 (the "**Target Expansion Effective Date**"). The adjustment of the Expansion Effective Date and, accordingly, the postponement of Tenant's obligation to pay rent for the Expansion Space shall be Tenant's sole remedy if the Tenant Improvement Work is not Substantially Complete on the Target Expansion Effective Date. If the Expansion Effective Date is delayed, the Extended Expiration Date shall not be similarly extended.

1.3. **Confirmation Letter.** At any time after the Expansion Effective Date, Landlord may deliver to Tenant a notice substantially in the form of **Exhibit C** attached hereto, as a confirmation of the information set forth therein. Tenant shall execute and return (or, by written notice to Landlord, reasonably object to) such notice within five (5) days after receiving it.

2. **Base Rent.** With respect to the Expansion Space during the Expansion Term, the schedule of Base Rent shall be as follows:

Period During Expansion Term	Annual Rate Per Square Foot (rounded to the nearest 100th of a dollar)	Monthly Base Rent
Expansion Effective Date through last day of 12th full calendar month of Expansion Term	$45.00	$5,572.50
13th through 24th full calendar months of Expansion Term	$46.58	$5,768.16
25th full calendar month of Expansion Term through last day of Expansion Term	$48.21	$5,970.01

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease, as amended hereby.

3. **Additional Security Deposit.** Upon Tenant's execution hereof, Tenant shall pay Landlord the sum of $5,970.01, which shall be added to and become part of the Security Deposit held by Landlord pursuant to Section 8 of the Summery of Basic Lease Information of the Lease and Article 21 of the Lease (as amended by Section 3 of the First Amendment). Accordingly, simultaneously with the execution hereof, the Security Deposit is hereby increased from $23,600.12 to $29,570.13.

4. **Tenant's Share.** With respect to the Expansion Space during the Expansion Term, Tenant's **Share** shall be 0.6843%.

5. **Operating Expenses and Tax Expenses.** With respect to the Expansion Space during the Expansion Term, Tenant shall pay for Tenant's Share of Operating Expenses and Tax Expenses in accordance with the terms of the Lease, as amended.

6. **Improvements to Expansion Space.**

6.1. **Configuration and Condition of Expansion Space.** Tenant acknowledges that it has inspected the Expansion Space and agrees to accept it in its existing configuration and condition (or in such other configuration and condition as any existing tenant of the Expansion Space may cause to exist in accordance with its lease), without any representation by Landlord regarding its configuration or condition and without any obligation on the part of Landlord to perform or pay for any alteration or improvement, except as may be otherwise expressly provided in this Amendment.

6.2. **Responsibility for Improvements to Expansion Space.** Landlord shall perform improvements to the Expansion Space in accordance with **Exhibit B** attached hereto.

7. **Other Pertinent Provisions.** Landlord and Tenant agree that, effective as of the date of this Amendment (unless different effective date(s) is/are specifically referenced in this Section), the Lease shall be amended in the following additional respects:

7.1. **Parking**. Effective as of the Expansion Effective Date, Tenant's unreserved parking spaces shall increase by five (5) unreserved parking spaces ("**Expansion Space Parking Spaces**"); provided, however, the rate for such Expansion Space Parking Spaces shall be $60.00. In addition, Tenant shall pay a non-refundable fee of $40.00 per Expansion Space Parking Spaces for a transmitter which shall open the gate to the parking facility.

7.2. **Suite Number**. The parties acknowledge and agree that after the Expansion Effective Date, the Premises shall be deemed "Suite 700" only.

8. **Miscellaneous.**

8.1. This Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Tenant shall not be entitled, in connection with entering into this Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, except as may be otherwise expressly provided in this Amendment.

8.2. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

8.3. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.

8.4. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered it to Tenant.

8.5. Capitalized terms used but not defined in this Amendment shall have the meanings given in the Lease.

8.6. Tenant shall indemnify and hold Landlord, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents harmless from all claims of any brokers (other than Hughes Marino) claiming to have represented Tenant in connection with this Amendment. Landlord shall indemnify and hold Tenant, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, and agents, and the respective principals and members of any such agents harmless from all claims of any brokers claiming to have represented Landlord in connection with this Amendment. Tenant acknowledges that any assistance rendered by any agent or employee of any affiliate of Landlord in connection with this Amendment has been made as an accommodation to Tenant solely in furtherance of consummating the transaction on behalf of Landlord, and not as agent for Tenant.

8.7. If Tenant has any expansion right (whether such right is designated as a right of first offer, right of first refusal, expansion option or otherwise) that was granted to Tenant under the Lease (as determined without giving effect to this Amendment) and that, by virtue of this Amendment, will apply to space different from or in addition to the space to which such expansion right previously applied, then, as applied to such different or additional space, such expansion right shall be subject and subordinate to any expansion right (whether such right is designated as a right of first offer, right of first refusal, expansion option or otherwise) of any tenant of the Building or Project existing on the date of mutual execution and delivery hereof.

[SIGNATURES ARE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the day and year first above written.

LANDLORD:

GLENBOROUGH AVENTINE, LLC, a Delaware limited liability company

By: /s/ Frank Campbell

Name: Frank Campbell

Title: Market Managing Director

TENANT:

TRACON PHARMACEUTICALS, INC., a Delaware corporation

By: /s/ C. Theuer

Name: C. Theuer

Title: CEO

EXHIBIT A

OUTLINE AND LOCATION OF EXPANSION SPACE

EXHIBIT B

EXPANSION SPACE WORK LETTER

As used in this **Exhibit B** (this "**Expansion Space Work Letter**"), the following terms shall have the following meanings:

(i) For purposes of this **Exhibit B**, "**Tenant Improvements**" means all improvements to be constructed in the Expansion Space and Existing Premises pursuant to this Expansion Space Work Letter;

(ii) For purposes of this **Exhibit B**, "**Tenant Improvement Work**" means the construction of the Tenant Improvements, together with any related work (including demolition) that is necessary to construct the Tenant Improvements;

(iii) "**Agreement**" means the amendment of which this Expansion Space Work Letter is a part.

1 ALLOWANCE.

1.1 **Allowance.** Tenant shall be entitled to a one-time tenant improvement allowance (for purposes of this **Exhibit B**, the "**Allowance**") in the amount of $22,290.00 to be applied toward the Allowance Items (defined in Section 1.2 below). Tenant shall be responsible for all costs associated with the Tenant Improvement Work, including the costs of the Allowance Items, to the extent such costs exceed the lesser of (a) the Allowance, or (b) the aggregate amount that Landlord is required to disburse for such purpose pursuant to this Expansion Space Work Letter. Notwithstanding any contrary provision of this Agreement, if Tenant fails to use the entire Allowance within180 days following the Expansion Effective Date, the unused amount shall be applied to Base Rent coming due hereunder until exhausted.

1.2 **Disbursement.** Except as otherwise provided in this Expansion Space Work Letter, the Allowance shall be disbursed by Landlord only for the following items (for purposes of this **Exhibit B**, the "**Allowance Items**"): (a) any architect fees relating to performance of the Tenant Improvement Work; (b) any engineering fees relating to performance of the Tenant Improvement Work; (c) plan-check, permit and license fees relating to performance of the Tenant Improvement Work; (d) the cost of performing the Tenant Improvement Work, including after hours charges, testing and inspection costs, freight elevator usage, hoisting and trash removal costs, and contractors' fees and general conditions; (e) the cost of any change to the base, shell or core of the Expansion Space or Building required by the Work List (defined in Section 2.1 below) (including if such change is due to the fact that such work is prepared on an unoccupied basis), including all direct architectural and/or engineering fees and expenses incurred in connection therewith; (f) the cost of any change to the Work List or the Tenant Improvement Work required by law; (g) the Landlord Supervision Fee (defined in Section 3.4.1 below); (h) sales and use taxes; and (i) all other costs reasonably expended by Landlord in connection with the performance of the Tenant Improvement Work in accordance with the Work List below.

2 WORK LIST AND PRICING.

2.1 **Work List.** Landlord shall perform Tenant Improvement Work in accordance with the following work list (for purposes of this **Exhibit B**, the "**Work List**") using Building-standard methods, materials and finishes.

WORK LIST

ITEM	
1.	Perform the work described on that certain plan prepared by Miller Design dated September 3, 2014, and attached hereto as **Exhibit B-1**.

Tenant, by notifying Landlord not later than five (5) business days after the date hereof, shall select the color and type of paint from a selection of Building standard materials and finishes.

2.2 [Intentionally Omitted]

2.3 [Intentionally Omitted]

2.4 [Intentionally Omitted]

2.5 [Intentionally Omitted]

2.6 **Construction Pricing.**

2.6.1 **Construction Pricing Proposal.** Within five (5) business days after the later of (a) the mutual execution and delivery of this Agreement, or (b) Tenant's selections made pursuant to Section 2.1 above, Landlord shall provide Tenant with Landlord's reasonable estimate (for purposes of this **Exhibit B**, the "**Construction Pricing Proposal**") of the cost of all Allowance Items to be incurred by Tenant in connection with the performance of the Tenant Improvement Work pursuant to the Work List. Tenant shall provide Landlord with notice approving or disapproving the Construction Pricing Proposal. If Tenant disapproves the Construction Pricing Proposal, Tenant's notice of disapproval shall be accompanied by proposed revisions to the Work List that Tenant requests in order to resolve its objections to the Construction Pricing Proposal, and Landlord shall respond as required under Section 2.7 below. Such procedure shall be repeated as necessary until the Construction Pricing Proposal is approved by Tenant. Upon Tenant's approval of the Construction Pricing Proposal, Landlord may purchase the items set forth in the Construction Pricing Proposal and begin construction relating to such items.

2.6.2 **Over-Allowance Amount.** If the Construction Pricing Proposal exceeds the Allowance, then Tenant, concurrently with its delivery to Landlord of its approval of the Construction Pricing Proposal, shall deliver to Landlord cash in the amount of such excess (for purposes of this **Exhibit B**, the "**Over-Allowance Amount**"). Any Over-Allowance Amount shall be disbursed by Landlord before the Allowance and pursuant to the same procedure as the Allowance. If, after the Construction Pricing Proposal is approved by Tenant, any revision is made to the Work List by Tenant or the Tenant Improvement Work is otherwise changed with Tenant's consent, in each case in a way that increases the Construction Pricing Proposal, then Tenant shall deliver any resulting Over-Allowance Amount (or any resulting increase in the Over-Allowance Amount) to Landlord immediately upon Landlord's request.

2.7 **Revisions to Work List.** The Work List shall not be revised without Landlord's agreement, which agreement may be withheld or conditioned in Landlord's sole and absolute discretion. If Tenant requests any revision to the Work List, Landlord shall provide Tenant with notice approving or disapproving such revision, and, if Landlord approves such revision, Landlord shall have such revision made and delivered to Tenant, together with notice of any resulting change in the most recent Construction Pricing Proposal, if any, within 10 business days after the later of Landlord's receipt of such request or the mutual execution and delivery of this Agreement if such revision is not material, and within such longer period of time as may be reasonably necessary (but not more than 10 business days after the later of such receipt or such execution and delivery) if such revision is material, whereupon Tenant, within one (1) business day, shall notify Landlord whether it desires to proceed with such revision. If Landlord has begun performing the Tenant Improvement Work, then, in the absence of such authorization, Landlord shall have the option to continue such performance disregarding such revision. Landlord shall not revise the Work List without Tenant's consent, which shall not be unreasonably withheld, conditioned or delayed.

2.8 **Tenant's Approval Deadline.** Tenant shall approve the Construction Pricing Proposal pursuant to Section 2.6.1 above on or before Tenant's Approval Deadline (defined below). As used in this Expansion Space Work Letter, "**Tenant's Approval Deadline**" means the date occurring 10 business days after the mutual execution and delivery of this Agreement; provided, however, that Tenant's Approval Deadline shall be extended by one (1) day for each day, if any, by which Tenant's approval of the Construction Pricing Proposal pursuant to Section 2.6.1 above is delayed by any failure of Landlord to perform its obligations under this Section 2.

3 CONSTRUCTION.

3.1 **Contractor.** Landlord shall retain a contractor of its choice (for purposes of this **Exhibit B**, the "**Contractor**") to perform the Tenant Improvement Work. In addition, Landlord may select and/or approve of any subcontractors, mechanics and materialmen used in connection with the performance of the Tenant Improvement Work.

3.2 [Intentionally Omitted]

3.3 **Permits.** Solely to the extent necessary, Landlord shall cause the Contractor to apply to the appropriate municipal authorities for, and obtain from such authorities, all permits for the Contractor to complete the Tenant Improvement Work (for purposes of this **Exhibit B**, the "**Permits**").

3.4 **Construction.**

3.4.1 **Performance of Tenant Improvement Work.** Landlord shall cause the Contractor to perform the Tenant Improvement Work in accordance with the Work List. Tenant shall pay a construction supervision and management fee (for purposes of this **Exhibit B**, the "**Landlord Supervision Fee**") to Landlord in an amount equal to 5% of the aggregate amount of all Allowance Items other than the Landlord Supervision Fee.

3.4.2 **Contractor's Warranties.** Tenant waives all claims against Landlord relating to any defects in the Tenant Improvements; provided, however, that if, within 30 days after substantial completion of the Tenant Improvement Work, Tenant provides notice to Landlord of any non-latent defect in the Tenant Improvements, or if, within 11 months after substantial completion of the Tenant Improvement Work, Tenant provides notice to Landlord of any latent defect in the Tenant Improvements, then Landlord shall promptly cause such defect to be corrected.

4 COMPLIANCE WITH LAW; SUITABILITY FOR TENANT'S USE. Landlord shall cause its consultants to use the Required Level of Care (defined below) to cause the Work List to comply with law; provided, however, that Landlord shall not be responsible for any violation of law resulting from any particular use of the Expansion Space or Existing Premises (as distinguished from general office use). As used herein, "**Required Level of Care**" means the level of care that reputable consultants customarily use to cause plans and specifications similar to the Work List to comply with law where such plans and specifications are prepared for spaces in buildings comparable in quality to the Building. Except as provided above in this Section 4, Tenant shall be responsible for ensuring that the Work List is suitable for Tenant's use of the Expansion Space and Existing Premises and complies with law, and neither the preparation nor the approval of the Work List by Landlord or its consultants shall relieve Tenant from such responsibility. To the extent that either party (for purposes of this **Exhibit B**, the "**Responsible Party**") is responsible under this Section 4 for causing the Work List to comply with law, the Responsible Party may contest any alleged violation of law in good faith, including by seeking a waiver or deferment of compliance, asserting any defense allowed by law, and exercising any right of appeal (provided that the other party incurs no liability as a result of such contest and that, after completing such contest, the Responsible Party makes any modification to the Work List or any alteration to the Expansion Space or Existing Premises that is necessary to comply with any final order or judgment).

5 COMPLETION.

5.1 **Substantial Completion.** For purposes of Section 1.2 of this Agreement, and subject to Section 5.2 below, the Tenant Improvement Work shall be deemed to be "**Substantially Complete**" upon the completion of the Tenant Improvement Work pursuant to the Work List (as reasonably determined by Landlord), with the exception of any details of construction, mechanical adjustment or any other similar matter the non-completion of which does not materially interfere with Tenant's use of the Expansion Space.

5.2 **Tenant Cooperation; Tenant Delay.** Tenant shall use reasonable efforts to cooperate with Landlord, the Contractor, and Landlord's other consultants to provide any necessary approvals relating to the Work List, approve the Construction Pricing Proposal, obtain any necessary Permits, and complete the Tenant Improvement Work as soon as possible, and Tenant shall meet with Landlord, in accordance with a schedule determined by Landlord, to discuss the parties' progress. Without limiting the foregoing, if (i) the Tenant Improvements include the installation of electrical connections for furniture stations to be installed by Tenant, and (ii) any electrical or other portions of such furniture stations must be installed in order for Landlord to obtain any governmental approval required for occupancy of the Expansion Space and the Existing Premises, then (x) Tenant, upon five (5) business days' notice from Landlord, shall promptly install such portions of such furniture stations in accordance with Articles 8 and 9 of the Lease, and (y) during the period of Tenant's entry into the Expansion Space for the purpose of performing such installation, all of Tenant's obligations under this Agreement relating to the Expansion Space shall apply, except for the obligation to pay monthly rent. In addition, without limiting the foregoing, if the Substantial Completion of the Tenant Improvement Work is delayed (for purposes of this **Exhibit B**, a "**Tenant Delay**") as a result of (a) any failure of Tenant to approve the Construction Pricing Proposal pursuant to Section 2.6.1 above on or before Tenant's Approval Deadline; (b) [Intentionally Omitted]; (c) any failure of Tenant to timely approve any other matter requiring Tenant's approval; (d) any breach by Tenant of this Expansion Space Work Letter or this Agreement; (e) any request by Tenant for any revision to, or for Landlord's approval of any revision to, the Work List (except to the extent that such delay results from a breach by Landlord of its obligations under Section 2.7 above); (f) [Intentionally Omitted]; (g) [Intentionally Omitted]; or (h) any other act or omission of Tenant or any of its agents, employees or representatives, then, notwithstanding any contrary provision of this Agreement, and regardless of when the Tenant Improvement Work is actually

Substantially Completed, the Tenant Improvement Work shall be deemed to be Substantially Completed on the date on which the Tenant Improvement Work would have been Substantially Completed if no such Tenant Delay had occurred. Notwithstanding the foregoing, Landlord shall not be required to tender possession of the Expansion Space to Tenant before the Tenant Improvement Work has been Substantially Completed, as determined without giving effect to the preceding sentence.

5.3 Solely with respect to the Tenant Improvement Work in the Existing Premises, (i) Tenant acknowledges and agrees that the Tenant Improvement Work may be performed during normal business hours, (ii) Landlord and Tenant shall cooperate with each other in order to enable the Tenant Improvement Work to be performed in a timely manner and with as little inconvenience to the operation of Tenant's business as is reasonably possible and (iii) notwithstanding any contrary provision of this Agreement, any delay in the completion of the Tenant Improvement Work or inconvenience suffered by Tenant during the performance of the Tenant Improvement Work shall not subject Landlord to any liability for any loss or damage resulting therefrom or entitle Tenant to any credit, abatement or adjustment of rent or other sums payable under the Lease (as amended).

6 MISCELLANEOUS. Notwithstanding any contrary provision of this Agreement, if Tenant defaults under this Agreement before the Tenant Improvement Work is completed, Landlord's obligations under this Expansion Space Work Letter shall be excused until such default is cured and Tenant shall be responsible for any resulting delay in the completion of the Tenant Improvement Work. This Expansion Space Work Letter shall not apply to any space other than the Expansion Space or the Existing Premises, as applicable.

EXHIBIT C

NOTICE OF LEASE TERM DATES

_____, 20__

To: _____
_____
_____
_____

Re: Second Amendment (the "**Amendment**"), dated _____, 20____, to a lease agreement dated February 10, 2011, between **GLENBOROUGH AVENTINE, LLC, a Delaware limited liability company** ("**Landlord**"), and **TRACON PHARMACEUTICALS, INC., a Delaware corporation** ("**Tenant**"), concerning Suite 780 on the seventh floor of the building located at 8910 University Lane, San Diego, California (the "**Expansion Space**").

Lease ID: _____
Business Unit Number: _____

Dear _____:

In accordance with the Amendment, Tenant accepts possession of the Expansion Space (subject to Section 3.4.2. of the Expansion Space Work Letter attached to the Second Amendment) and confirms that the Expansion Effective Date is _____, 20___.

Please acknowledge the foregoing by signing all three (3) counterparts of this letter in the space provided below and returning two (2) fully executed counterparts to my attention. Please note that, under Section 1.3 of the Amendment, Tenant is required to execute and return (or reasonably object in writing to) this letter within five (5) days after receiving it.

"Landlord":

GLENBOROUGH AVENTINE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

Agreed and Accepted as of _____, 20_.

"Tenant":

TRACON PHARMACEUTICALS, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

Exhibit 10.11

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 230.406.**

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (the ***"Agreement"***) is entered into as of March 3, 2014 (the ***"Effective Date"***) by and between **SANTEN PHARMACEUTICAL CO., LTD.**, a company organized under the laws of Japan (***"Santen"***) and **TRACON PHARMACEUTICALS, INC.**, a corporation organized under the laws of the State of Delaware (***"Tracon"***).

RECITALS

WHEREAS, Tracon has rights to the Antibody (as defined below) known as TRC105, currently being developed for oncology applications;

WHEREAS, Santen is engaged in the research, development and commercialization of pharmaceutical products; and

WHEREAS, Santen desires to obtain from Tracon, and Tracon desires to grant to Santen, an exclusive license under the Licensed Technology to develop and commercialize Products in the Field in the Territory (each as defined below), subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Tracon and Santen hereby agree as follows:

1. DEFINITIONS

1.1 "Affiliate" shall mean any company or entity controlled by, controlling, or under common control with a Party or another entity. For the purpose of this definition, an entity shall be deemed to ***"control"*** another entity, if it owns directly or indirectly, more than fifty percent (50%) of the outstanding voting securities, capital stock, or other comparable equity or ownership interest of such entity, or exercises equivalent influence over such entity.

1.2 "Alternate Compound" shall mean the […***…] version of TRC105 or any fragment, modification or variant of TRC105 that is developed as an alternative, or in addition, to TRC105.

1.3 "Alternate Product" shall mean any pharmaceutical product that comprises or contains any Licensed Form of an Alternate Compound, including any such product that is incorporated into a Delivery Device, alone or in combination with one or more other active ingredient(s), whether packaged together or in the same therapeutic formulation.

1.4 "Antibody" means a molecule or the gene encoding such a molecule comprising or containing at least one immunoglobulin variable domain or parts of such domain.

1.5 "Applicable Laws" shall mean the applicable provisions of any and all national, supranational, regional, state and local laws, treaties, statutes, rules, regulations, administrative codes, guidance, ordinances, judgments, decrees, directives, injunctions, orders, permits (including Regulatory Approvals) of or from any court, arbitrator, Regulatory Authority or

governmental agency or authority having jurisdiction over or related to the subject item or subject person, including the FCPA, Export Control Laws and other comparable laws.

1.6 "Bankruptcy Laws" shall have the meaning provided in Section 9.5.

1.7 "Base Sales" shall have the meaning provided in Section 4.3(b)(ii).

1.8 "BLA" shall mean a biologics license application as described in 21 CFR Part 601, *et seq.* (and any amended or successor regulations), including all amendments and supplements thereto, that is filed with the FDA in order to gain the FDA's approval to market a Product in the U.S.

1.9 "Business Day" shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to close in the State of California, U.S. or Japan.

1.10 "Change of Control" shall mean either: (a) a sale of all or substantially all of the assets of Tracon, including but not limited to those relating to anti-endoglin Antibody, in one or a series of integrated transactions not in the ordinary course of business to a Third Party; or (b) the acquisition of Tracon by a Third Party by means of any transaction or series of related transactions (including, any stock acquisition, merger or consolidation); in either case, in which transaction or series of transactions the holders of outstanding voting securities of Tracon immediately prior to such transaction do not beneficially own, directly or indirectly, at least fifty (50) % of the combined outstanding voting power of the acquiring entity (or of Tracon if it is the surviving entity in such transaction described in subsection (b)), or its direct or indirect parent entity, immediately after such transaction or series of related transactions.

1.11 "Co-Promotion Right" shall have the meaning provided in Section 3.8.

1.12 "Combination Product" shall mean any Product that contains or comprises both (a) any Compound, and (b) at least one other active ingredient(s), whether packaged together or in the same therapeutic formulation.

1.13 "Commercial Launch" shall mean the first sale by Santen, its Affiliate or Sublicensee to a Third Party for end use or consumption of a Product in a country in the Territory after the governing Regulatory Authority of such country has granted Regulatory Approval of such Product. For the avoidance of doubt, any sale of a Product for compassionate use, named patient use, clinical trial purposes or other similar uses will not constitute a Commercial Launch.

1.14 "Commercially Reasonable Efforts" shall mean that level of efforts and resources consistent with commercially reasonable practices of a similarly situated specialty pharmaceutical company to perform any activity for a compound or product at a similar stage of research, development or commercialization, taking into account measures of patent coverage, relative safety and efficacy, product profile, the competitiveness of the marketplace, the proprietary position of such compound or product, the regulatory structure involved, the market potential of such compound or product, industrial standard in manufacturing and supplying

pharmaceutical products and its components, and other relevant factors, including comparative technical, legal, scientific or medical factors.

1.15 "Competing Product" shall mean a pharmaceutical product containing either (a) the Compound or (b) an Antibody (other than the Compound) having […***…], in either case of clause (a) or (b) with or without one or more other active ingredients, which pharmaceutical product is marketed by a party other than Santen or its Affiliates or Sublicensees, and used in the Field

1.16 "Compound" shall mean (a) TRC105, or (b) any Alternate Compound.

1.17 "Compound Manufacturing IP" shall mean all Information and Patents Controlled by Tracon or its Affiliates as of the Effective Date or during the Term that relate to the manufacture of any Compound, excluding […***…]. Notwithstanding the foregoing, Compound Manufacturing IP shall not include any Information or Patents Controlled by any acquirer of Tracon, or any Affiliate of such acquirer, except for any Information or Patents that are developed by such acquirer or Affiliate through use of Information or Patents that relate to the manufacture of any Compound Controlled by Tracon or its Affiliates (excluding such acquirer or its Affiliates).

1.18 "Compound Manufacturing Patents" shall mean the Patents included in the Compound Manufacturing IP.

1.19 "Confidential Information" shall mean all Information and other proprietary scientific, marketing, financial or commercial information or data, which is generated by or on behalf of a Party or its Affiliates and which one Party or any of its Affiliates has furnished or made available to the other Party or its Affiliates, whether in oral, written or electronic form.

1.20 "Control" (including any variations such as "**Controlled**" and "**Controlling**") shall mean, with respect to any Information, Patents or other intellectual property rights, possession by a Party or Third Party of the right, power and authority (whether by ownership, license or otherwise, other than by virtue of any rights granted under this Agreement) to grant access to, to grant use of, or to grant a license or a sublicense to such Information, Patents or intellectual property rights without violating the terms of any agreement or other arrangement with any Third Party

1.21 "Delivery Device" shall mean any device for the delivery of a product in the Field (excluding syringes or other similar devices that are generally available for purchase).

1.22 "Development Plan" shall have the meaning provided in Section 3.1(b).

1.23 "Disclosing Party" shall have the meaning provided in Section 6.1.

1.24 "Dispute" shall have the meaning provided in Section 11.1.

1.25 "EMA" shall mean the European Medicines Agency and any successor entity thereto.

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1.26 "EU" shall mean the European Union.

1.27 "Export Control Laws" shall mean all applicable U.S. laws and regulations relating to (a) sanctions and embargoes imposed by the Office of Foreign Assets Control of the U.S. Department of Treasury or (b) the export or re-export of commodities, technologies, or services, including the Export Administration Act of 1979, 24 U.S.C. §§ 2401-2420, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-1706, the Trading with the Enemy Act, 50 U.S.C. §§ 1 et. seq., the Arms Export Control Act, 22 U.S.C. §§ 2778 and 2779, and the International Boycott Provisions of Section 999 of the U.S. Internal Revenue Code of 1986 (as amended).

1.28 "FCPA" shall mean the U.S. Foreign Corrupt Practices Act (15 U.S.C. Section 78dd-1, et. seq.) as amended.

1.29 "FDA" shall mean the U.S. Food and Drug Administration and any successor entity thereto.

1.30 "Field" shall mean the treatment, amelioration, mitigation or prevention of diseases or conditions of the eyes, excluding systemic treatment of cancers of the eye (ocular tumors).

1.31 "First Product" shall have the meaning provided in Section 4.3(e).

1.32 "GAAP" shall mean generally accepted accounting principles in the U.S., or internationally, as appropriate, consistently applied and shall mean the international financial reporting standards (**"IFRS"**) if a Party uses IFRS.

1.33 "ICC" shall have the meaning provided in Section 11.2(a).

1.34 "IND" shall mean an investigational new drug application, clinical study application, clinical trial exemption, or similar application or submission for approval to conduct human clinical investigations filed with or submitted to a Regulatory Authority in conformance with the requirements of such Regulatory Authority, including any such application filed with the FDA pursuant to 21 CFR Part 312.

1.35 "IND Filing Date" shall have the meaning provided in Section 3.7(a).

1.36 "IND Milestone" shall have the meaning provided in Section 4.2(a).

1.37 "Indemnitee" shall have the meaning provided in Section 10.3.

1.38 "Indemnitor" shall have the meaning provided in Section 10.3.

1.39 "Information" shall mean tangible and intangible techniques, technology, practices, trade secrets, inventions (whether patentable or not), processes, formulations, compounds, products, biological materials, cell lines (it being understood that any rights to use "Information" include the rights to use such cell lines), samples of assay components, media, designs, formulas, ideas, programs, software models, algorithms, developments, experimental

works, protocols, methods, knowledge, know-how, skill, experience, test data and results (including pharmacological, toxicological and non-clinical and clinical data and results), compilations of data, other works of analytical and quality control data, results, descriptions, compositions of matter, regulatory submissions, minutes, correspondence and strategy.

1.40 "Initial Product" shall mean any pharmaceutical product that comprises or contains any Licensed Form of TRC105, including any such product that is incorporated into a Delivery Device, alone or in combination with one or more active ingredient(s), whether packaged together or in the same therapeutic formulation.

1.41 "Initiation" shall mean, with respect to any Phase II Clinical Trial or Phase III Clinical Trial, the first enrollment of a human subject in the respective trial.

1.42 "JDC" shall have the meaning provided in Section 3.3(a).

1.43 "Joint Inventions" shall have the meaning provided in Section 8.1.

1.44 "Joint Patents" shall have the meaning provided in Section 8.1.

1.45 "License" shall mean the license granted under Section 2.1(a) and the sublicense granted under Section 2.1(b).

1.46 "Licensed Form" shall mean any and all dosage forms of a Compound in concentrations and quantities suitable for administration in and around the eyes, even if the same concentration is usable for other purposes. For clarity, Licensed Form excludes

any and all dosage forms of a Compound for administration through systemic delivery, including intravenous, subcutaneous, oral and pulmonary administration.

1.47 "Licensed Know-How" shall mean all Information with respect to any Compound or Product, which Information is Controlled by Tracon as of the Effective Date or by Tracon or any of its Affiliates during the Term and is necessary or useful for (a) the practice of the Licensed Patents, (b) preparing and prosecuting any IND or Regulatory Approval for the Licensed Form of any Compound or for any Product in the Field in the Territory, (c) the development of the Licensed Form of any Compound in the Field in the Territory or the use of the Licensed Form of any Compound in the development, manufacture, marketing, use or sale of any Product in the Field in the Territory, or (d) the development, manufacture, marketing, use or sale of any Product in the Field in the Territory, including all Information included in Compound Manufacturing IP, but excluding all Information […***…]. Notwithstanding the foregoing, Licensed Know-How shall not include any Information Controlled by any acquirer of Tracon, or any Affiliate of such acquirer, except for any Information that is developed by such acquirer or Affiliate through use of Licensed Technology Controlled by Tracon or its Affiliates (excluding such acquirer or its Affiliates). For clarification, Licensed Know-How does not include any Information, which relates to any active ingredient(s), other than a Compound, in any Combination Product.

1.48 "Licensed Patents" shall mean (a) all Patents set forth on ***Exhibit A-1***, ***A-2***, ***A-3*** and ***A-4***, and (b) all other Patents Controlled by Tracon (including by virtue of the license granted under the RPCI Agreement) or its Affiliates during the Term, which (i) claim the

composition of matter, manufacture or use in the Field of any Compound or Product or (ii) in the absence of a license or similar right, would be infringed (assuming issuance thereof in the case of any patent application) by (A) the development of the Licensed Form of any Compound in the Field in the Territory or the use of the Licensed Form of any Compound in the development, manufacture, marketing, use or sale of any Product in the Field in the Territory or (B) the development, manufacture, use, import, export, offering for sale or sale of any Product in the Field in the Territory, including all Patents included in Compound Manufacturing IP but excluding […***…]. Notwithstanding the foregoing, Licensed Patents shall not include any Patents Controlled by any acquirer of Tracon, or any Affiliate of such acquirer, except for any Patents developed by such acquirer or Affiliate through use of Licensed Technology Controlled by Tracon or its Affiliates (excluding such acquirer or its Affiliates). Licensed Patents include Tracon's ownership interest in Joint Patents. For clarification, Licensed Patents do not include any Patents with respect to any active ingredient(s) in any Combination Product other than a Compound.

1.49 "Licensed Technology" shall mean the Licensed Know-How and Licensed Patents.

1.50 "Lonza" shall mean Lonza Sales AG, a company incorporated and registered in Switzerland, or its successor-in-interest to the Lonza Agreement.

1.51 "Lonza Agreement" shall mean that certain License Agreement, dated June 29, 2009, by and between Lonza and Tracon, as amended in accordance with its terms, attached as Exhibit 1.51.

1.52 "Losses" shall have the meaning provided in Section 10.1.

1.53 "MAA" shall mean an application for the authorization for marketing of a Product, including all amendments and supplements thereto, filed with any Regulatory Authority outside the U.S. (including any supranational agency such as the EMA), to gain approval to market a Product in a given country or group of countries outside the U.S.

1.54 "Net Sales" shall mean the gross amounts invoiced for sales or other dispositions of Products by or on behalf of Santen or any of its Affiliates or Sublicensees (each, a **"Selling Party"**) to Third Parties (other than Sublicensees), less deductions […***…] by the Selling Party using GAAP applied on a consistent basis for:

(a) […***…];

(b) […***…];

(c) […***…];

(d) […***…];

(e) […***…], and

(f) […***…].

In no event shall any particular amount, identified above, be deducted more than once in calculating Net Sales (i.e., no "double counting" of reductions). Sales of Products […***…] shall be excluded from the computation of Net Sales, provided that the […***…] are included in the computation of Net Sales. Sale, disposal or use of Products for […***…], shall not be deemed a sale hereunder.

In the event that a Product is sold in the form of a Combination Product, Net Sales of the Combination Product shall be determined by multiplying actual Net Sales of the Combination Product (determined by reference to the definition of Net Sales set forth above) during the applicable calendar quarter by the fraction […***…] where A is the […***…], and B is the […***…], in each case during the applicable reporting calendar quarter in the country in which the sale of the Combination Product was made, or if sales of both the Product and the other active ingredient(s) did not occur in such period, then in the most recent calendar quarter in which sales of both occurred. If the other active ingredient(s) in the Combination Product is not sold separately in said country, Net Sales of the Combination Product shall be determined by multiplying actual Net Sales of such Combination Product (determined by reference to the definition of Net Sales set forth above) during the applicable calendar quarter by the fraction […***…], where A is the […***…], and D is the […***…]. If neither the Product nor the other active ingredient(s) in the Combination Product is sold separately in a given country, the Parties shall determine Net Sales for such Combination Product by mutual agreement based on the relative contribution of the Product and the other active ingredient(s) in the Combination Product.

In the event that a Product is sold together with a Delivery Device for a single sale price, Net Sales of such Product shall be determined by […***…]. If the Delivery Device is not sold separately in a given country, the Parties shall determine Net Sales for such Product sold together with a Delivery Device by mutual agreement based on the relative contribution of the Product and the Delivery Device to the final aggregate value of the Product and Delivery Device sold together. In no event will less than […***…] percent ([…***…]%) of the total amounts invoiced for a Product and Delivery Device sold together be allocated to the Product. For the avoidance of doubt, with

respect to the Combination Product sold together with a Delivery Device for a single sale price, the preceding paragraph shall further apply to determine Net Sales thereof.

1.55 "Nondisclosure Agreement" shall mean the Mutual Confidentiality Agreement between the Parties dated December 14, 2011.

1.56 "Party" shall mean Santen or Tracon individually, and "**Parties**" shall mean Santen and Tracon collectively.

1.57 "Patents" shall mean patents and patent applications, including provisional applications, continuations, continuations-in-part, continued prosecution applications, divisions, substitutions, reissues, additions, renewals, reexaminations, extensions, term restorations, confirmations, registrations, revalidations, revisions, priority rights, requests for continued examination and supplementary protection certificates granted in relation thereto, as well as utility models, innovation patents, petty patents, patents of addition, inventor's certificates, and equivalents in any country or jurisdiction.

1.58 "Phase I Clinical Trial" shall mean a study in humans which provides for the first introduction into humans of a Product, conducted in normal volunteers or patients to generate information on product safety, tolerability, pharmacological activity or pharmacokinetics, as more fully defined in 21 CFR §312.21(a) or comparable regulations in any country or jurisdiction outside the U.S. (and any amended or successor regulations).

1.59 "Phase II Clinical Trial" shall mean a human clinical trial, the principal purpose of which is to gather an initial assessment of safety and efficacy of one or more particular doses in patients being studied, as more fully defined in 21 C.F.R. §312(b) or comparable regulations in any country or jurisdiction outside the U.S. (and any amended or successor regulations).

1.60 "Phase III Clinical Trial" shall mean a human clinical trial, the principal purpose of which is to gather safety and efficacy data of one or more particular doses in patients being studied that is needed to evaluate the overall benefit and risk relationship of the product and to provide adequate basis for labeling, as more fully defined in 21 C.F.R. §312(c) or comparable regulations in any country or jurisdiction outside the U.S. (and any amended or successor regulations).

1.61 "Phase III Costs" shall have the meaning provided in Section 3.8.

1.62 "PMDA" shall mean the Japanese Pharmaceuticals and Medical Devices Agency and any successor entity thereto.

1.63 "Primary Detail" shall have the meaning provided in Section 3.8(b).

1.64 "Product" shall mean the Initial Product or any Alternate Product.

1.65 "Receiving Party" shall have the meaning provided in Section 6.1.

1.66 "Regulatory Approval" shall mean any and all approvals, licenses, permits, registrations or authorizations of or from any Regulatory Authority that are necessary to market and sell a pharmaceutical product in any country or other jurisdiction.

1.67 "Regulatory Authority" shall mean any country, federal, supranational, state or local regulatory agency, department, bureau or other governmental or regulatory authority having the administrative authority to regulate the development or marketing of pharmaceutical products in any country or other jurisdiction.

1.68 "Royalty Term" shall have the meaning provided in Section 4.3(e).

1.69 "RPCI Licensor" shall mean Roswell Park Cancer Institute and Health Research, Inc.

1.70 "RPCI Agreement" shall mean that certain Exclusive License Agreement, dated November 1, 2005, by and between RPCI Licensor and Tracon, as amended in accordance with its terms, attached as Exhibit 1.70.

1.71 "RPCI Patents" shall mean any Patents licensed to Tracon by RPCI Licensor under the RPCI Agreement, which (i) claim the composition of matter, manufacture or use in the Field of any Compound or Product or (ii) in the absence of a license or similar right, would be infringed (assuming issuance thereof in the case of any patent application) by (A) the development of the Licensed Form of any Compound in the Field in the Territory or the use of the Licensed Form of any Compound in the development, manufacture, marketing, use or sale of any Product in the Field in the Territory or (B) the development, manufacture, use, import, export, offering for sale or sale of any Product in the Field in the Territory, including, without limitation, as set forth on ***Exhibits A-1 and A-3*** attached hereto.

1.72 "Santen Fiscal Year" shall mean the twelve (12) month period from April 1 to March 31.

1.73 "Santen Indemnitees" shall have the meaning provided in Section 10.2.

1.74 "Santen Know-How" shall mean all Information relating to (a) the manufacture of any Compound, (b) the development of a Licensed Form of any Compound or the use of the Licensed Form of any Compound in the development, manufacture, marketing, use or sale of a Product, (c) the development, manufacture, marketing, use or sale of any Product, (d) the Santen Patents or (e) the preparation or prosecution of any IND or Regulatory Approval for the Licensed Form of any Compound or for any Product, which Information is Controlled by Santen or its Affiliates during the Term, including all such Information that is developed or generated in the course of development, manufacturing, regulatory or commercialization activities contemplated by this Agreement, provided however, that Santen Know-How shall not include any Information (i) relating to any Delivery Device, (ii) that is Controlled by Santen or its Affiliates prior to the Effective Date or is developed or generated by or on behalf of Santen or its Affiliates outside of the course of development, manufacturing, regulatory or commercialization activities contemplated by this Agreement and without use of any Licensed Technology, or (iii) relating to the use of any active pharmaceutical ingredient other than any Compound or of any excipient to manufacture, develop or use a Compound or a Product. If Santen or its Affiliate engages a Third

Party to perform development, manufacturing, regulatory or commercialization activities relating to any Compound or Product as contemplated by this Agreement, Santen and its Affiliates will use commercially reasonable efforts to obtain Control of Information developed or generated by such Third Party through such activities so that it is included in Santen Know-How.

1.75 "Santen Patents" shall mean all Patents Controlled by Santen or its Affiliates during the Term, which Patents claim the composition of matter, manufacture or use of any Compound or Product, including all Patents that claim any discovery or invention relating to (a) the manufacture of a Compound, (b) the development of a Licensed Form of a Compound or use of the Licensed Form of a Compound in the development, manufacturing, marketing, use or sale of a Product or (c) the development, manufacture, marketing, use or sale of a Product, provided however, that Santen Patents shall not include any Patents (i) relating to any Delivery Device, (ii) that are Controlled by Santen or its Affiliates prior to the Effective Date or that claim any discovery or invention developed or generated by or on behalf of Santen or its Affiliates outside of the course of development, manufacturing, regulatory or commercialization activities contemplated by this Agreement and without use of any Licensed Technology, or (iii) claiming the use of any active pharmaceutical ingredient other than a Compound or of any excipient to manufacture, develop or use a Compound or a Product. If Santen or its Affiliate engages a Third Party to perform development, manufacturing, regulatory or commercialization activities relating to any Compound or Product as contemplated by this Agreement, Santen and its Affiliates will use commercially reasonable efforts to obtain Control of Patents that claim any discovery or invention developed or generated by such Third Party through such activities so that they are included in Santen Patents. Santen Patents include Santen's ownership interest in Joint Patents.

1.76 "Santen Technology" shall mean the Santen Know-How and Santen Patents.

1.77 "SEC" shall have the meaning provided in Section 6.4(a).

1.78 "Section 365(n)" shall have the meaning provided in Section 9.5.

1.79 "Selected Sublicense Consideration" shall have the meaning provided in Section 4.4.

1.80 "Sublicensee" shall mean any Third Party to whom Santen has directly or indirectly granted a sublicense under all or any portion of the License.

1.81 "Subsequent Date" shall have the meaning provided in Section 2.3(c).

1.82 "Supply Agreement" shall have the meaning provided in Section 3.4.

1.83 "Term" shall have the meaning provided in Section 9.1.

1.84 "Terminated Countries" shall have the meaning provided in Section 9.2(e).

1.85 "Territory" shall mean all countries of the world.

1.86 "Third Party" shall mean any entity other than Santen and its Affiliates and Tracon and its Affiliates.

1.87 "Third Party Claims" shall have the meaning provided in Section 10.1.

1.88 "Tracon Product" shall mean any pharmaceutical product that comprises or contains any form of a Compound other than a Licensed Form of a Compound, alone or in combination with one or more active ingredient(s), whether packaged together or in the same therapeutic formulation.

1.89 "Tracon Indemnitees" shall have the meaning provided in Section 10.1.

1.90 "TRC105" shall mean the chimeric anti-endoglin Antibody known as TRC105, comprising the amino acid sequences set out in ***Exhibit B***.

1.91 "U.S." shall mean the United States of America and its territories and possessions.

1.92 "U.S. Diligence Obligation" shall have the meaning provided in Section 3.7(b).

1.93 "U.S. Percentage" shall have the meaning provided in Section 3.8(a).

1.94 "Valid Claim" shall mean a claim contained in (a) an issued and unexpired Patent, which claim has not been found to be unpatentable, invalid, revocable or unenforceable by a decision of a court or other authority of competent jurisdiction in the subject country, which decision is unappealable or unappealed within the time allowed for appeal, and has not been admitted to be invalid or unenforceable through abandonment, reissue, disclaimer or otherwise, or (b) a Patent application that has not been irretrievably cancelled, withdrawn, abandoned or rejected. A Patent application pending for more than […***…] years shall not be considered to have any Valid Claim for purposes of this Agreement unless and until a Patent with respect to such application issues with such claim.

1.95 "Withdrawal Notice" shall have the meaning provided in Section 3.3(f).

2. LICENSE

2.1 License Grant. Subject to the terms and conditions of this Agreement, Tracon hereby grants to Santen:

(a) during the Term, (i) an exclusive (even as to Tracon), royalty-bearing license under the Licensed Technology, other than the RPCI Patents and the Compound Manufacturing IP, solely to develop, make, have made, use, promote, sell, offer to sell, import and export Products in the Field in the Territory, and (ii) an exclusive (even as to Tracon), royalty-bearing license under the Compound Manufacturing IP, other than the RPCI Patents, solely to make and have made the Compound for use in the manufacture of Products for development and commercialization uses in the Field in the Territory, subject to the provisions of the Supply Agreement and **Exhibit D**; and

(b) during the Term (or, the term of the RPCI Agreement if such term ends prior to the Term), (i) an exclusive (even as to Tracon, subject to Section 2.2(a)), royalty-bearing sublicense under the RPCI Patents, other than the Compound Manufacturing Patents, solely to

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develop, make, have made, use, promote, sell, offer to sell, import and export Products in the Field in the Territory, and (ii) an exclusive (even as to Tracon, subject to Section 2.2(a)), royalty-bearing sublicense under the RPCI Patents included in the Compound

Manufacturing Patents (if any) solely to make and have made the Compound for use in the manufacture of Products for development and commercialization in the Field in the Territory, subject to the provisions of the Supply Agreement and **Exhibit D**.

Santen acknowledges that the License with respect to the RPCI Patents is subject to the applicable terms and conditions of the RPCI Agreement, and Santen shall comply, and shall cause any of its Affiliates or Sublicensees who are granted a sublicense under the License with respect to RPCI Patents to comply, with the applicable terms and conditions of the RPCI Agreement.

If Santen elects to have the Compound […***…], and Santen agrees to […***…] in manufacturing the Product for development and commercialization in the Field in the Territory under the terms of this Agreement.

Santen acknowledges that the License does not […***…], and that Santen may need to […***…]. In such event, Tracon shall use commercially reasonable efforts to […***…].

2.2 Sublicense Rights.

(a) Right to Sublicense. Subject to the terms and conditions of this Agreement, Santen shall have the right to grant sublicenses under the License (including, to the extent permitted under the RPCI Agreement, rights sublicensed to Santen under Section 2.1(b)) to (i) any Affiliates of Santen (which sublicenses shall permit the further grant of sublicenses, subject to Section 2.2(a)(ii) with respect to any further sublicense to a Third Party) or (ii) any Third Parties with whom Santen or its Affiliate has a binding written agreement to collaborate on the development and commercialization of Products in the Field in the Territory or the manufacture of Products or the Compound used in the manufacture of Products for use in development and commercialization in the Field in the Territory (which sublicense shall not permit the further grant of sublicenses). […***…], however, at Santen's written request, […***…]. Tracon acknowledges and agrees that Santen will control all aspects of the relationship with any Sublicensee, including, without limitation, the terms and conditions of the sublicense granted by

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Santen to such Sublicensee, provided that such sublicense shall comply with the requirements of this Agreement. Tracon agrees to use commercially reasonable efforts to […***…], within […***…] months of the Effective Date, to […***…].

(b) Sublicense Terms. Any sublicense granted by Santen under this Agreement (directly or indirectly through its Affiliate or […***…] shall be (i) in writing, (ii) subject and subordinate to, and consistent with, the terms and conditions of this Agreement and, with respect to the RPCI Patents, the RPCI Agreement, and (iii) provide that so long as a Sublicensee is in compliance with the sublicense agreement as of the date of termination of this Agreement and the termination of this Agreement was not caused by any act or omission on the part of the Sublicensee, […***…]. Santen shall provide Tracon with a copy of any sublicense agreement entered into with a Sublicensee, and any amendment thereto, within thirty (30) days of its execution […***…]). Santen shall be liable for the failure of its Affiliates and Sublicensees to comply with the relevant obligations under this Agreement and shall, at its own cost, enforce compliance by its Affiliates and Sublicensees with the terms of the sublicense agreement.

2.3 Negative Covenants, Other Antibody Products.

(a) Licensed Technology. Santen hereby covenants not to practice, and not to permit or cause any Affiliate, Sublicensee or other Third Party to practice, any Licensed Technology for any purpose except as expressly authorized in this Agreement. Tracon hereby covenants not to practice, and not to permit or cause any Affiliate, licensee or other Third Party to practice, any Santen Technology for any purpose other than as expressly authorized in this Agreement.

(b) Other Antibody Products.

(i) During the Term, Santen hereby covenants not to, itself or through any Affiliate or Third Party, develop, have developed, manufacture, have manufactured, sell, have sold or promote any product in the Field in the Territory that achieves its therapeutic result primarily through binding endoglin, other than Products. The Parties agree that, upon a Change of Control, the covenants set forth in this Section 2.3(b)(i) shall automatically terminate.

(ii) During the Term, Tracon hereby covenants not to, itself or through any Affiliate or Third Party, develop, have developed, manufacture, have manufactured, sell, have sold or promote any anti-angiogenic Antibody, including any Antibody that achieves its therapeutic result primarily through binding endoglin, and any product comprising or containing any such Antibody, in the Field. The grant of licenses and sublicenses by Tracon pursuant to Section 2.1 and 2.2 and Tracon's exercise of the Co-Promotion Right pursuant to Section 3.8 of this Agreement will not be considered a breach of the covenant in this Section 2.3(b). Notwithstanding the foregoing, Tracon shall have the right, itself and through Affiliates and

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Third Parties, to develop, have developed, manufacture, have manufactured, sell, have sold or promote any anti-angiogenic Antibody, including any Antibody that achieves its therapeutic result primarily through binding endoglin, and any products comprising or containing any such Antibody, including Compounds and Tracon Products, outside the Field, and any off-label use of any such products shall not be a violation of this Section 2.3(b) but shall be subject to Section 4.3(b). The Parties agree that upon a Change of Control, the covenants set forth in this Section 2.3(b)(ii) shall automatically terminate, and for avoidance of doubt, in no event will this Section 2.3(b)(ii) apply to any acquirer of Tracon or any Affiliate of such acquirer; provided that Section 4.3(b) shall apply with respect to any Competing Products sold by Tracon or its Affiliates after a Change of Control.

(c) Notice of Change of Control of Tracon. Tracon shall notify Santen of any Change of Control within twenty (20) days of such event. If, in such Change of Control, Tracon is acquired by an entity, which develops, manufactures, markets or sells […***…] on the effective date of such Change of Control, then the license granted by Santen to Tracon under Section 2.5 shall only include Santen Technology developed prior to the Change of Control (including all Patents arising in the course of prosecution or maintenance of Santen Patents existing as of such date) and not Santen Technology developed after the Change of Control. If the entity that acquired Tracon in such Change of Control develops, manufactures, markets or sells […***…] as of a date after the effective date of such Change of Control ("***Subsequent Date***"), then (i) such entity shall provide prompt written notice to Santen when it starts such development, manufacturing, marketing or sale, and (ii) the license granted by Santen to Tracon under Section 2.5 shall only include Santen Technology developed prior to the Subsequent Date (including all Patents arising in the course of prosecution or maintenance of Santen Patents existing as of the Subsequent Date) and not Santen Technology developed after the Subsequent Date.

2.4 No Implied Licenses; Retained Rights. No right or license under any Patents or Information of either Party is granted or shall be granted by implication. All such rights or licenses are or shall be granted only as expressly provided in the terms of this Agreement. Tracon hereby expressly reserves all rights under the Licensed Technology not expressly licensed to Santen in Section 2.1, including all rights with respect to Tracon Products, all rights outside the Field and all rights to make and have made Compounds for use for any purpose other than in the manufacture of Products in the Field for the Territory. With respect to the RPCI Patents, RPCI Licensor and the U.S. government have retained rights to use the RPCI Patents as provided in the RPCI Agreement. Santen hereby expressly reserves all rights under the Santen Technology not expressly licensed to Tracon in Section 2.5 (including the limitations set forth in Section 2.3(c)) and, except as set forth in Section 9.3(c)(i), all rights under the Santen Technology to manufacture Products or the Compound used in the manufacture of Products for use in development and commercialization of Products in the Field in the Territory.

2.5 Grant-Back License to Tracon. Subject to the terms and conditions of this Agreement including Section 2.3(c), Santen hereby grants to Tracon a non-exclusive, worldwide license, with the right to (a) sublicense to (and permit further sublicenses by) Tracon's other licensees (including Tracon's Affiliates) of Licensed Technology outside the Field who agree to grant Tracon a comparable license, with the right to sublicense to Santen (and permit further

sublicenses by Santen subject to Section 2.2), to Information, Patents or other intellectual property rights related to the Compound or Product under the Control of such licensee (if any) and (b) sublicense to (but not permit further sublicenses by) any Third Party contract manufacturer of Compounds and Tracon Products for Tracon and its Affiliates and licensees, under the Santen Technology solely to develop, make, have made, use, promote, sell, offer to sell, import and export Tracon Products outside the Field and to make and have made Compounds for use in the manufacture of Tracon Products for development and commercialization uses outside the Field. Such license shall be perpetual and irrevocable (except in the case of termination by Santen pursuant to Section 9.2(a), 9.2(b) or 9.2(c)) and shall be fully-paid and royalty-free unless Tracon's practice of such Santen Technology creates any payment obligation by Santen to a Third Party, in which case Tracon shall be liable for such payments unless Tracon advises Santen in writing that it does not want a license to the Santen Technology that would create such payment obligation to a Third Party. Tracon shall provide Santen with a copy of any such sublicense agreement, and any amendment thereto, within thirty (30) days of its execution (provided that Tracon may redact any confidential information contained therein that is not necessary to disclose to ensure compliance with this Agreement). Tracon shall be liable for the failure of its sublicensees to comply with the relevant obligations under this Agreement and shall, at its own cost, enforce compliance by its sublicensees with the terms of the sublicense agreement.

2.6 Technology Transfer.

(a) Documentation. During the thirty (30) day period following the Effective Date, Tracon, at its expense, shall provide to Santen one (1) electronic copy of documents, data or other information in Tracon's possession as of the Effective Date that describe or contain Licensed Know-How. Tracon shall provide and transfer to Santen in the same manner all additional information that describes or contains Licensed Know-How that may from time to time come into Tracon's possession and has not previously been provided to Santen (and in any event at least semi-annually).

(b) Access to Personnel. Upon Santen's request and prior written consent, Tracon shall provide Santen access to Tracon employees and consultants, and those of its contractors (including its contract manufacturers) and licensors, as reasonably necessary to assist in technology transfer to Santen or its contract manufacturer. Such assistance shall be provided remotely or on-site at Santen's or its contract manufacturer's facilities. Tracon by itself (including its consultants who perform such work for Tracon) shall provide up to a total of […***…] hours of such assistance free of charge, and Santen shall reimburse Tracon for assistance provided by itself (including its consultants who perform such work for Tracon) beyond such […***…] hours at a rate of […***…] U.S. dollars

(U.S.$ […***…]) per hour within thirty (30) days after receipt of an invoice therefor, such invoice to be issued by the tenth (10th) day of the month following the end of each calendar quarter.

(c) Research and Development Supplies. Tracon will supply Santen, without cost, with a reasonable quantity of biological materials and chemical reagents necessary for Santen's research and development of Product provided that such supply does not unreasonably interfere with Tracon's development and commercial activities. Materials requested by Santen in writing to be purchased from a Third Party will be reimbursed by Santen

within thirty (30) days after receipt of an invoice therefor, with reasonable additional supporting documentation as may be requested by Santen.

3. DEVELOPMENT, REGULATORY AND COMMERCIALIZATION MATTERS

3.1 Development.

(a) Conduct of Development Activities. Santen (itself and through its Affiliates and Sublicensees, as applicable) shall be solely responsible, at its own expense, for all development activities with respect to Products in the Field in the Territory.

(b) Development Plan. As of the Effective Date, the Parties have agreed to a written plan for development of Products in the Field in the U.S., Japan, United Kingdom, France and Germany by Santen (itself and through its Affiliates and Sublicensees, as applicable), including […***…] (such plan, as may be amended in accordance with this Section 3.1(b), the ***"Development Plan"***). Santen, at its own discretion, may amend the Development Plan from time to time after the Effective Date, depending on the progress of necessary development activities or for business reasons. Until […***…], Santen will provide Tracon a copy of any amendment to the Development Plan promptly, and in any event within thirty (30) days, after such amendment. Santen (itself and through its Affiliates and Sublicensees, as applicable) shall use Commercially Reasonable Efforts to develop Products in the Field in the Territory in accordance with the Development Plan.

3.2 Regulatory.

(a) Conduct of Regulatory Activities. Santen (itself and through its Affiliates and Sublicensees, as applicable) shall be solely responsible, at its own expense, for all regulatory activities with respect to the Products in the Field in the Territory, including formulating regulatory strategy and preparing, filing, obtaining and maintaining Regulatory Approvals for the Products in the Field in the Territory. Santen shall be the holder of all Regulatory Approvals for Products in the Field in the Territory and shall have responsibility for interactions with Regulatory Authorities with respect to the Products in the Field in the Territory. Santen shall keep Tracon regularly and fully informed of the preparation of, and Regulatory Authority review and approval of, submissions and communications with Regulatory Authorities with respect to the Products in the Field in the Territory. In addition, Santen shall promptly provide Tracon with copies of all material documents, information and correspondence received from a Regulatory Authority and upon reasonable request, with copies of any other documents, reports and communications from or to any Regulatory Authority relating to Compounds, Products or activities under this Agreement.

(b) Access to Regulatory Filings. Tracon hereby grants to Santen (and its Affiliates and Sublicensees, as applicable) the right to access and cross-reference filings made by Tracon or its Affiliates, by Tracon's licensors or suppliers (who have granted Tracon cross-

reference rights to their filings, which Tracon will use commercially reasonable efforts to obtain), and by licensees (who have agreed to reciprocal rights of reference for the benefit of Tracon, which Tracon will use commercially reasonable efforts to obtain) with Regulatory Authorities and Regulatory Approvals relating to Tracon Products (or Compounds included in Tracon Products) (including any drug master files) solely to the extent necessary in connection with regulatory activities with respect to Products in the Field in the Territory. Santen hereby grants to Tracon and its Affiliates and licensees (who have agreed to reciprocal rights of reference for the benefit of Santen, which Santen will use commercially reasonable efforts to obtain) the right to access and cross-reference filings made by Santen and its Affiliates and Sublicensees and by Santen's licensors or suppliers (who have granted Santen cross-reference rights to their filings, which Santen will use commercially reasonable efforts to obtain), with Regulatory Authorities and Regulatory Approvals relating to Products (or Compounds included in Products) (including any drug master files) solely to the extent necessary in connection with regulatory activities with respect to Tracon Products. Each Party shall, promptly upon request of the other Party, file with applicable Regulatory Authorities such letters of access or cross-reference as may be necessary to accomplish the intent of this Section 3.2(b).

(c) Safety Data Exchange. Within twelve (12) months following the Effective Date, but at the latest before the start of a clinical trial by Santen, the Parties shall negotiate in good faith and enter into a safety data exchange agreement regarding Compounds and Products and Tracon Products, which shall set forth standard operating procedures governing the collection, investigation, reporting, and exchange of information concerning adverse drug reactions/experiences sufficient to permit each Party to comply with its regulatory and other legal obligations within the applicable timeframes. Such safety data exchange agreement shall identify which Party shall be responsible for the timely reporting of all relevant adverse drug reactions/experiences, Product quality, Product complaints and safety data relating to Compounds and Products and Tracon Products to the appropriate Regulatory Authorities in the Territory in accordance with all Applicable Law. Such agreement shall allow each Party to comply with all regulatory and legal requirements regarding the management of safety data by providing for the exchange of relevant information in the appropriate format within applicable timeframes. Unless otherwise mutually agreed by the Parties, Tracon shall maintain a global safety database for Compounds and Tracon Products, and Santen shall maintain one or more safety database(s) for Products covering the entire world.

3.3 Governance

(a) Joint Development Committee. The Parties will form a joint development committee (the "***JDC***") to serve as a forum for information exchange and discussion with respect to development and regulatory activities relating to Compounds and Products in the Field in the Territory.

(b) Composition. The JDC will be comprised of an equal number of members appointed by each of Santen and Tracon, which members shall be employees of the applicable Party with appropriate experience and authority. Each Party will notify the other Party of its initial JDC members within thirty (30) days after the Effective Date. Each Party may change its JDC members at any time by written notice to the other Party, which may be delivered at a scheduled meeting of the JDC. Any member of the JDC may designate a substitute to attend

and perform the functions of that member at any meeting of the JDC. The JDC shall appoint one (1) of its members as chairman, whose role shall be to convene and preside at meetings of the JDC, but the chairman shall not be entitled to prevent items from being discussed. Each Party may, with the consent of the other Party, such consent not to be unreasonably withheld or delayed, invite non-member representatives of such Party to attend meetings of the JDC. Santen may dissolve the JDC with a written notice to Tracon any time upon the latest date of receipt by Santen or its Affiliate or Sublicensee of Regulatory Approval for the first Product among the U.S., Japan, and the first of United Kingdom, France or Germany.

(c) Responsibilities. The JDC shall, unless as otherwise agreed to by the Parties:

(i) periodically review the results of the Development Plan to ensure, to the extent reasonably practical, compliance with obligations under this Agreement;

(ii) review protocols for any clinical studies and regulatory filings for Compounds and Products in the Field in the Territory;

(iii) facilitate the exchange between the Parties of information regarding development and regulatory activities with respect to Products and Tracon Products;

(iv) review the publication strategy with respect to Products and Tracon Products in the Field in the Territory; and

(v) perform such other duties as are specifically assigned by the Parties to the JDC in this Agreement.

(d) Meetings. The JDC will hold a meeting every six (6) months or sooner, if needed, as reasonably agreed to by the Parties. Such meetings may be in person, via videoconference, or via teleconference. The location of in-person JDC meetings will be determined by the Parties. At least seven (7) Business Days prior to each JDC meeting, each Party shall provide written notice to the other Party of agenda items proposed by such Party for discussion at such meeting, together with appropriate information related thereto. Reasonably detailed written minutes will be kept of all JDC meetings. Meeting minutes will be prepared by the Party at whose office such meeting is held and sent to each member of the JDC for review and approval within ten (10) Business Days after the meeting. Minutes will be deemed approved unless a member of the JDC objects to the accuracy of such minutes within fifteen (15) Business Days of receipt.

(e) Decisions. The Parties agree that the JDC shall have no decision-making authority with respect to any matters related to this Agreement, the Development Plan or Santen's development and commercialization activities.

(f) Withdrawal. At any time during the Term and for any reasonable reason, Tracon shall have the right to withdraw from participation in the JDC upon written notice to Santen, which notice shall be effective immediately upon receipt ("***Withdrawal Notice***"). Following the issuance of a Withdrawal Notice and subject to this Section 3.3(f), Tracon's representatives to the JDC shall not participate in any meetings of the JDC. If, at any time,

following the issuance of a Withdrawal Notice, Tracon wishes to resume participation in the JDC, Tracon shall notify Santen in writing and, thereafter, Tracon's representatives to the JDC shall be entitled to attend any subsequent meeting of the JDC and to participate in the activities of, the Committees as provided in this Article 3 as if a Withdrawal Notice had not been issued by Tracon. Following Tracon's issuance of a Withdrawal Notice, unless and until Tracon resumes participation in the JDC in accordance with this Section 3.3(f): (i) all meetings of the JDC shall be held at Santen's facilities; and (ii) Tracon shall have the right to continue to receive the minutes of the JDC meetings, but shall not have the right to approve the minutes for any JDC meeting held after Tracon's issuance of a Withdrawal Notice. In any event, Tracon's withdrawal shall not impair Santen's rights to receive technology transfer under Section 2.6.

3.4 Manufacture and Supply. During the Term, Tracon shall, or shall cause […***…], to supply the Compound to Santen as ordered by Santen from time to time, subject to the terms of this Section 3.4. Santen agrees to purchase Compounds manufactured by […***…] for use in manufacturing Products for […***…], pursuant to a written supply agreement, which shall be separately discussed and agreed in good faith by the Parties (the "***Supply Agreement***"), and will include the terms set forth on ***Exhibit D***. Santen may purchase Compounds manufactured by […***…] for use in manufacturing Products for […***…], pursuant to a written supply agreement, which shall be separately discussed and agreed in good faith by Santen with Tracon or […***…].

3.5 Commercialization. Santen (itself and through its Affiliates and Sublicensees, as applicable) shall be solely responsible, at its own expense, for commercialization of Products in the Field in the Territory.

3.6 Compliance with Applicable Laws. Each Party shall conduct, and shall require its Affiliates and Sublicensees and other licensees, and if applicable Third Party contract manufacturers, including Lonza, to conduct, all development, regulatory, manufacturing and commercialization activities with respect to Compounds and Products or Tracon Products (as applicable) in the Territory in compliance with all Applicable Laws, including good scientific and clinical practices under the Applicable Laws of the country in which such activities are conducted.

3.7 Diligence.

(a) Development and Regulatory. Santen (itself and through its Affiliates and Sublicensees, as applicable) shall use Commercially Reasonable Efforts to develop a Product in the Field in the Territory, including conducting development activities in accordance with the Development Plan, and to obtain Regulatory Approvals of Products in the Field in the Territory. Without limiting the foregoing, Santen and Tracon will agree on a date by which Santen will file an IND for the Initial Product in the Field with the FDA (the "***IND Filing Date***"), based on an agreed upon set of activities to be undertaken collaboratively by the Parties following the Effective Date. In the event that Santen does not file such IND by the IND Filing Date, Santen can extend the date provided that Santen can show reasonable progress toward meeting the IND Filing Date.

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(b) Commercialization. Following receipt of Regulatory Approval for any Product in the Field in any country or other regulatory jurisdiction in the Territory, Santen (itself and through its Affiliates and Sublicensees, as applicable) shall use Commercially Reasonable Efforts to commercialize such Product in the Field and meet market demand for such Product in the Field in such country or other jurisdiction. Without limiting the foregoing, Santen (i) agrees to establish and maintain sufficient resources to be able to commercialize Products in the Field in the Territory, and (ii) with regards to commercialization of Products in the Field in the U.S., will put in place and maintain the personnel as described in **Exhibit C** (the "***U.S. Diligence Obligation***").

3.8 Tracon Co-Promotion Right. If Santen does not meet the U.S. Diligence Obligation, then Tracon shall […***…] have the right to co-promote Products in the Field in the U.S. with Santen (the "***Co-Promotion Right***"), as set forth in this Section 3.8. Tracon may exercise the Co-Promotion Right at any time during the period commencing […***…] months prior to the Estimated BLA Filing Date and ending […***…] months following the Actual BLA Filing Date, as such terms are defined in **Exhibit C**, by notifying Santen of such exercise in writing. Santen shall notify Tracon in writing of the Estimated BLA Filing Date at least […***…] months prior to the Estimated BLA Filing Date and of the Actual BLA Filing Date within […***…] days after the Actual BLA Filing Date. Santen shall provide Tracon written notice, as promptly as possible following the Estimated BLA Filing Date and in any event no later than the Actual BLA Filing Date, a reasonably detailed summary of the Phase III Clinical Trial development costs that enabled filing of a BLA in the U.S. (the "***Phase III Costs***"). In the event that Tracon does not exercise the Co-Promotion Right as provided in this Section 3.8, Tracon shall have no right to promote Product in the Field in the U.S. with Santen, and Santen shall have no further obligation with respect to the Co-Promotion Right. In the event that Tracon exercises the Co-Promotion Right as provided in this Section 3.8, within […***…] days following such exercise of the Co-Promotion Right, Tracon and Santen shall negotiate in good faith and enter into a co-promotion agreement incorporating the following terms and such other terms agreed to by the Parties (such negotiation period may be extended upon mutual written agreement):

(a) Tracon shall pay to Santen (or reimburse Santen for, if Phase III Clinical Trial development is complete) a specific percentage up to […***…] percent ([…***…]%) as specified in the written notice from Tracon exercising the Co-Promotion Right (the "***U.S. Percentage***") of Phase III Costs ; provided that […***…]. At the JDC meetings, Santen will keep Tracon informed on such planned and actual costs. In the event Santen conducts […***…], and Tracon elects to exercise its Co-Promotion Right, Tracon shall reimburse Santen the U.S. Percentage of Santen's costs of such trials according to a mutually agreed budget for such costs;

(b) Tracon shall have the right to co-promote Product in the Field in the U.S. by making the U.S. Percentage of total Primary Details annually with respect to Products in the Field in the U.S., as measured on a per physician call basis. A "***Primary Detail***" shall mean, with respect to a Product, a face-to-face one-on-one presentation regarding the features and benefits of such Product, its contraindications, approved uses and other pertinent information by

a sales representative to a vitreo-retinal specialist, during which a promotional message involving such Product is the most prominent item presented and comprises approximately […***…] of the time and cost of such presentation. For the avoidance of doubt, a Primary Detail shall not include (i) a reminder presentation or a sample drop or (ii) a presentation to groups, medical conventions or institutions;

(c) the Parties shall prepare a marketing plan regarding co-promotion of Products in the Field in the U.S. within a reasonable amount of time after Tracon's exercise of the Co-Promotion Right as provided in this Section 3.8;

(d) the Parties shall govern the co-promotion relationship through a joint commercialization committee to be established within a reasonable amount of time after Tracon's exercise of the Co-Promotion Right as provided in this Section 3.8, the details of such committee to be agreed upon by the Parties;

(e) upon the exercise of the Co-Promotion Right, […***…] shall bear […***…] in connection with the performance of its obligations under this Section 3.8 and the obligations set forth in the co-promotion agreement, and […***…] shall bear […***…] in connection with marketing and sales of Products in the Field in the U.S., including but not limited to, cost relating to post-Regulatory Approval clinical trials of a Product in the Field, whether or not required by the FDA, but subject to Section 3.8(a);

(f) Tracon shall receive the U.S. Percentage of profits from sales of Products in the Field in the U.S., but shall not also receive royalties on such sales;

(g) Tracon shall pay its share of Phase III Costs (as described in Section 3.8(a) above) with […***…] percent ([…***…]%) paid […***…], and the remainder […***…]; provided, however, that the entire amount of Tracon's share of Phase III Clinical Trial development costs must be paid to Santen within […***…] years of […***…]; and

(h) If Tracon fails to meet any of its obligations set forth in this Section 3.8 or any other obligations set forth in the co-promotion agreement (after notice and a reasonable cure period), Tracon shall have no right to co-promote Product in the Field in the U.S. with Santen, and Santen shall have no further obligation with respect to the Co-Promotion Right.

3.9 Disclosure of Santen Efforts. Until receipt by Santen or its Affiliate or Sublicensee of Regulatory Approval in the U.S., Japan, and the first of United Kingdom, France or Germany, Santen shall keep Tracon appropriately informed about Santen's research, development, clinical trial progress and commercialization efforts with respect to Products (including Compounds contained in such Products) in the Field in those countries. Without limiting the generality of the foregoing, Santen shall provide Tracon with prompt written notice of the following:

(a) Filing of an IND for any Product;

(b) initiation of a Phase II Clinical Trial or Phase III Clinical Trial of any Product;

(c) termination of development of any Product;

(d) filing of any BLA or MAA for any Product;

(e) receipt of approval of any BLA or MAA for any Product; and

(f) any other significant development or commercialization plans, activities or results with respect to Products in the Field.

4. PAYMENTS

4.1 Upfront Fee. Santen shall make a one-time, non-refundable, non-creditable payment to Tracon of U.S.$10,000,000 within five (5) Business Days after the Effective Date.

4.2 Milestone Payments.

(a) Initial Product. Within thirty (30) days following the first occurrence of each of the events set forth below for the first Initial Product (and, as applicable pursuant to Section 4.2(b) and (c), Alternate Product), Santen shall pay to Tracon each of the non-refundable, non-creditable milestone payments set forth below when such milestone is achieved by Santen or any of its Affiliates or Sublicensees:

Milestone Event	Milestone Payment
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]

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[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
[…***…]	U.S.$[…***…]
Total Potential Milestone Payments	**U.S.$155,000,000**

* If Santen […***…], Santen will notify Tracon in writing no later than sixty (60) days after the date of the […***…] whether Santen (a) will […***…] or (b) will […***…]. If such notice indicates that Santen will […***…], then such notice shall be deemed as an achievement of milestone for […***…] for the purpose of this Section 4.2(a).

(b) Replacement of Initial Product with Alternate Product. If Santen or its Affiliate or Sublicensee terminates development of the Initial Product and commences development of an Alternate Product as a replacement for the Initial Product, then Santen shall pay to Tracon the milestone payments corresponding to the milestone events with respect to such replacement Alternate Product only for those milestone events that have not already been achieved with respect to the Initial Product.

(c) Milestone Payments for Alternate Products. If Santen or its Affiliate or Sublicensee develops an Alternate Product in addition to the Initial Product, then Santen shall pay to Tracon all applicable milestone payments as set forth in Section 4.2(a) for both the first Alternate Product and the first Initial Product.

4.3 Royalty Payments.

(a) Royalty Rate. Subject to the terms and conditions of this Agreement, Santen shall pay to Tracon royalties as set forth below on aggregate annual Net Sales in a Santen Fiscal Year (whether such aggregate annual Net Sales are achieved by Santen or any of its Affiliates or Sublicensees), provided however, for so long as Tracon receives the U.S. Percentage of profits from sales of Product in the U.S. under Section 3.8, Santen shall not pay to Tracon royalties on such sales and the Parties will discuss and agree in good faith to an appropriate adjustment to the tiers of aggregate annual Net Sales to take into account the fact that sales of Product in the U.S. are excluded:

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Aggregate Annual Net Sales	Royalty Rate
For that portion of aggregate annual Net Sales in a Santen Fiscal Year that is less than or equal to U.S.$[…***…]	[…***…]%
For that portion of aggregate annual Net Sales in a Santen Fiscal Year that is greater than U.S.$[…***…] and less than or equal to U.S.$[…***…]	[…***…]%
For that portion of aggregate annual Net Sales in a Santen Fiscal Year that is greater than U.S.$[…***…]	[…***…]%

(b) Adjustment for Competing Product.

(i) On a country-by-country basis and Product-by-Product basis, if:

(A) as of the anticipated date of Commercial Launch in a given country, there are or expected to be sales of any Competing Product(s) by anyone other than Santen or its Affiliates or Sublicensees, and

(B) Santen provides written documentation to Tracon demonstrating that (I) such Competing Product(s) is approved and marketed for use in the Field in such country or is being prescribed for use in the Field in such country, as measured by reputable published data for such country (e.g. by reference to prescription data collected by IMS) or as otherwise mutually agreed and that (II) […***…],

then the Royalty Rate with respect to such Product in such country shall be reduced by […***…] percent ([…***…]%) for purposes of calculating the royalty payment under Section 4.3(a); provided that any such reduction based on any sales of a Competing Product that contains a Compound by anyone other than Santen or its Affiliates or Sublicensees shall end at the time any of the Licensed Patents is enforced to stop sales of such Competing Product.

(ii) On a country-by-country basis and Product-by-Product basis, if:

(A) after the Commercial Launch in such country, sales of any Competing Product(s) by anyone other than Santen or its Affiliates or Sublicensees,

(B) Santen provides written documentation to Tracon demonstrating that such Competing Product(s) is approved and marketed for use in the Field in such country or is being prescribed for use in the Field in such country, as measured by reputable published data for such country (e.g. by reference to prescription data collected by IMS) or as otherwise mutually agreed, and

(C) such sales of all Competing Products result in a reduction by […***…] percent ([…***…]%) or more in gross sales of the applicable Product by Santen and

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its Affiliates and Sublicensees compared to Base Sales in such country for […***…], as measured by reputable published marketing data for such country (e.g. by reference to sales data collected by IMS) or as otherwise mutually agreed,

then thereafter the Royalty Rate with respect to such Product in such country shall be reduced by […***…] percent ([…***…]%) for purposes of calculating the royalty payment under Section 4.3(a); provided that any such reduction based any sales of a Competing Product that contains a Compound by anyone other than Santen or its Affiliates or Sublicensees shall end at the time any of the Licensed Patents is enforced to stop sales of such Competing Product. The term "***Base Sales***" shall mean the average amount of total quarterly gross sales of such Product by Santen and its Affiliates and Sublicensees for the […***…] immediately preceding such given calendar quarters. In addition to the foregoing, in the event that […***…], as measured by reputable published data for such country (e.g. by reference to prescription data collected by IMS) or as otherwise mutually agreed, […***…].

(c) Existing Third Party Payment Obligations. In addition to the royalties payable by Santen pursuant to Section 4.3(a), Santen agrees to pay to Tracon all royalty payments due and payable by Tracon under the RPCI Agreement and under the Lonza Agreement with respect to the manufacture, use, marketing, distribution, import, export, offer for sale, promotion or sale of Products in the Field in the Territory by Santen and its Affiliates and Sublicensees in accordance with the terms of the RPCI Agreement and the Lonza Agreement, respectively. For the avoidance of doubt, Santen has no obligation to pay royalties due and payable by Tracon under (i) the RPCI Agreement if Santen does not use any RPCI Patents or any Licensed Patents described on ***Exhibit A-2*** and (ii) the Lonza Agreement if Santen does not use any Information or Patents licensed to Tracon under the Lonza Agreement. […***…], and if Tracon amends the RPCI Agreement or the Lonza Agreement to […***…], whether for inside or outside the Field, or both, […***…]. For the avoidance of doubt, royalty payments under the RPCI Agreement shall be payable until the expiration of the last-to-expire of the Patents on ***Exhibits A-1***, ***A-2*** and ***A-3*** that covers, in whole or in part, the developing, making, using, selling, offering to sell or importing any Product then being sold by Santen, its Affiliates or Sublicensees, or the Compound therein.

(d) Payments to Third Parties. Santen shall be responsible for all payments owed to any Third Party for any Patents, Information or other intellectual property rights licensed or acquired after the Effective Date (other than under the RPCI Agreement and the Lonza Agreement), which are necessary or useful to use, sell, offer for sale or import any Product in the Field in the Territory. If, during the Term, Santen determines that it is necessary to license or acquire from any Third Party any issued patent in order to practice the Licensed Patents for the development, manufacturing or commercialization of any Product in the Field in any country, an amount up to […***…] percent ([…***…]%) of any royalties paid to such Third Party in respect of a Product in such country shall be deducted from royalties otherwise due to Tracon with respect to such Product in such country under this Agreement; provided that in no event

shall the effect of such deduction and the adjustment in Section 4.3(b) reduce the royalties otherwise payable to Tracon in respect of such Product in such country (prior to giving effect to any such deduction and adjustment) by more than an amount equal to […***…] percent ([…***…]%) in any calendar quarter. Any amount of royalties paid to such Third Party which is entitled to be deducted under this Section 4.3(d) but is not deducted as a result of the foregoing limitation shall be carried over and applied against royalties payable to Tracon in respect of such Product in such country in subsequent calendar quarters until the full deduction is taken.

(e) Royalty Term. Royalty payments pursuant to this Section 4.3 shall be payable beginning upon Commercial Launch of the First Product (as defined below) in a given country and continuing on a country-by-country basis with respect to all the Products containing TRC105 (with respect to the First Product containing TRC105) or all the Products containing Alternate Compound (with respect to the First Product containing Alternate Compound), as applicable, sold by Santen or its Affiliates or Sublicensees until the later of (i) 12 years after the date of Commercial Launch of the applicable First Product in the applicable country or (ii) expiration of the last-to-expire Valid Claim within the Licensed Patents that covers Products or the Compound contained therein, or the use of such Product or Compound in the Field, in such country (the "***Royalty Term***"). For purposes of calculating Royalty Term under this Section 4.3(e), the "***First Product***" shall mean with respect to (i) all the Products containing TRC105 in a given country, the first Product containing TRC105 that is Commercially Launched in such country, and (ii) all the Products containing Alternate Compound in a given country, the first Product containing Alternate Compound that is Commercially Launched in such country.

(f) Adjustment for Joint Patents. On a country-by-country basis and Product-by-Product basis, if, after royalties have been paid with respect to a Product in a country for the full Royalty Term (excluding for this purpose only Valid Claims of any Joint Patents), and the only Patents that cover such Product or the Compound contained therein, or the use of such Product or Compound in the Field, in such country are Joint Patents, then the royalty rate payable with respect to such Product in such country for the remaining Royalty Term (i.e. until expiration of the last-to-expire Valid Claim within such Joint Patents) shall be reduced by […***…] percent ([…***…]%) for purposes of calculating the royalty payment under Section 4.3(a).

4.4 Sublicense Fees. Santen shall pay to Tracon […***…] percent ([…***…]%) of up-front payments […***…], and of payments for achievement of milestones […***…] other than […***…], received by Santen or its Affiliates from a Sublicensee for a sublicense granted under all or any portion of the License (***"Selected Sublicense Consideration"***). No payment shall be due from Santen to Tracon with respect to any other amounts received by Santen from a Sublicensee. Payments based on Selected Sublicense Consideration shall be made to Tracon within thirty (30) days following the receipt of such Selected Sublicense Consideration. If Santen receives from any Sublicensee any Selected Sublicense Consideration in a form other than cash payments, Santen shall pay Tracon the payment required by this Section 4.4 in cash based on the fair market value of such payment as of the date of receipt. In the event that Selected Sublicense Consideration is paid for the […***…]),

Santen shall pay Tracon the greater of (a) the payment due under this Section 4.4 with respect to such Selected Sublicense Consideration, or (b) the […***…], but not both.

5. PAYMENT; RECORDS; AUDITS

5.1 Payment; Reports. Royalties shall be calculated and reported for each calendar quarter. A report of Net Sales in sufficient detail to permit confirmation of the accuracy of the payment due, including, on a country-by-country basis, the number of Products sold, the gross sales and Net Sales of such Products, the royalties payable, the method used to calculate the royalties, the exchange rates used and any adjustments to royalties payable in accordance with Section 4.3 shall be due to Tracon within forty five (45) days of the end of each calendar quarter, and all payments due to Tracon under this Agreement shall be paid within thirty (30) days after the date of such report, unless otherwise specifically provided herein, including Section 4.3(c).

5.2 Exchange Rate; Manner and Place of Payment. All payments hereunder shall be payable in U.S. dollars. When conversion of payments from any foreign currency is required, such conversion shall be at an exchange rate equal to the average of the daily rates of exchange for the currency of the country from which the royalty payments are payable based on the TTM rate of Tokyo Mitsubishi UFJ bank, during the calendar quarter for which a payment is due. All payments owed under this Agreement shall be made by wire transfer in immediately available funds to a bank account designated in writing by Tracon, unless otherwise specified in writing by Tracon.

5.3 Income Tax Withholding. Tracon will pay any and all taxes levied on account of any payments made to it under this Agreement. If any taxes are required to be withheld by Santen from any payment made to Tracon under this Agreement, Santen will (a) deduct such taxes from the payment made to Tracon, (b) timely pay the taxes to the proper taxing authority, and (c) send proof of payment to Tracon and certify its receipt by the taxing authority within thirty (30) days following such payment. For purposes of this Section 5.3, each Party agrees to provide the other with reasonably requested assistance to enable the due deduction by the paying Party and appropriate recovery by the other Party, which assistance includes, but is not limited to, provision of any tax forms and other

information that may be reasonably necessary in order for the paying Party not to withhold tax or to withhold tax at a reduced rate under an applicable bilateral income tax treaty.

5.4 Restrictions on Fund Transfers. In the event that, by reason of Applicable Law in any country, it becomes impossible or illegal, after reasonable efforts by Santen to do so, for Santen or its Affiliate to transfer, or have transferred on its behalf, payments owed Tracon hereunder, Santen will promptly notify Tracon of the conditions preventing such transfer and such payments will be deposited in local currency in the relevant country to the credit of Tracon in a recognized banking institution designated by Tracon.

5.5 Records; Audits. Santen shall keep, and require Sublicensees to keep, complete, fair and true books of accounts and records for the purpose of determining the amounts payable to Tracon pursuant to this Agreement. Such books and records shall be kept for such period of time required by law, but no less than four years following the end of the calendar quarter to

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which they pertain. Tracon shall have the right to cause an independent, certified public accountant reasonably acceptable to Santen to audit such records to confirm Net Sales, royalties and other payments for a period covering not more than four (4) years following the calendar quarter to which they pertain. Such audits may be exercised during normal business hours upon reasonable prior written notice to Santen. Prompt adjustments shall be made by the Parties to reflect the results of such audit. Tracon shall bear the full cost of such audit unless such audit discloses an underpayment by Santen of more than five percent (5%) of the amount of royalties or other payments due under this Agreement for any applicable calendar quarter, in which case, Santen shall bear the cost of such audit and shall promptly remit to Tracon the amount of any underpayment. Any overpayment by Santen revealed by an audit shall be fully-creditable against future payment owed by Santen to Tracon (and if no further payments are due, shall be refunded by Tracon at the request of Santen).

5.6 Late Payments. In the event that any payment due under this Agreement is not made when due, the payment shall accrue interest from the date due at the prime rate (as defined in the U.S. Federal Reserve Bulletin H.15 or any successor thereto) on the last business day of the applicable quarter prior to the date on which such payment is due, plus […***…] percent ([…***…]%) per annum; provided, however, that in no event shall such rate exceed the maximum legal annual interest rate. The payment of such interest shall not limit Tracon from exercising any other rights it may have as a consequence of the lateness of any payment.

6. CONFIDENTIALITY AND PUBLICATION

6.1 Confidential Information. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, each Party (in such capacity, the "***Receiving Party***") agrees that, during the Term and for […***…] years thereafter, it shall keep confidential and shall not publish or otherwise disclose to any Third Party, and shall not use for any purpose, other than as expressly provided for in this Agreement or any other written agreement between the Parties, any Confidential Information furnished or made available to it by or on behalf of the other Party (in such capacity, the "***Disclosing Party***"). The Receiving Party shall use at least the same standard of care as it uses to protect proprietary or confidential information of its own (but in no event less than reasonable care) to ensure that its, and its Affiliates', employees, agents, consultants and other representatives do not disclose or make any unauthorized use of the Confidential Information. The Receiving Party shall promptly notify the Disclosing Party upon discovery of any unauthorized use or disclosure of the Disclosing Party's Confidential Information.

6.2 Exceptions. Confidential Information shall not include any information which the Receiving Party can prove by competent evidence: (a) is now, or hereafter becomes, through no act or failure to act on the part of the Receiving Party, generally known or available; (b) is known by the Receiving Party and/or any of its Affiliates at the time of receiving such information, as evidenced by its records; (c) is hereafter furnished to the Receiving Party and/or any of its Affiliates by a Third Party, as a matter of right and without restriction on disclosure; or (d) is independently discovered or developed by the Receiving Party and/or any of its Affiliates, without the use of Confidential Information of the Disclosing Party.

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6.3 Authorized Disclosure. Notwithstanding the provisions of Section 6.1, the Receiving Party may disclose Confidential Information of the Disclosing Party as expressly permitted by this Agreement, or if and to the extent such disclosure is reasonably necessary in the following instances:

(a) filing or prosecuting Patents as permitted by this Agreement;

(b) enforcing such Party's rights under this Agreement;

(c) prosecuting or defending litigation as permitted by this Agreement;

(d) complying with applicable court orders or governmental regulations;

(e) disclosure to Affiliates, actual and potential licensees and Sublicensees, employees, consultants, contractors or agents of the Receiving Party who have a need to know such information in order for the Receiving Party to exercise its rights or fulfill its obligations under this Agreement, provided, in each case, that any such Affiliate, actual or potential licensee or Sublicensee, employee, consultant or agent agrees to be bound by terms of confidentiality and non-use comparable in scope to those set forth in this Article 6;

(f) in the case of Tracon as the Receiving Party, disclosure to RPCI Licensor to the extent required to comply with the RPCI Agreement and to Lonza to the extent required to comply with the Lonza Agreement, provided such parties are bound by terms of confidentiality and non-use comparable in scope to those set forth in this Article 6 and Tracon shall be responsible for the acts and omissions of such parties with respect thereto; and

(g) disclosure to Third Parties in connection with due diligence or similar investigations by such Third Parties, and disclosure to potential Third Party investors in confidential financing documents, provided, in each case, that any such Third Party agrees to be bound by similar terms of confidentiality and non-use comparable in scope to those set forth in this Article 6.

Notwithstanding the foregoing, in the event a Party is required to make a disclosure of the other Party's Confidential Information pursuant to Section 6.3(c) or Section 6.3(d), it will, except where impracticable, give reasonable advance notice to the other Party of such disclosure and use efforts to secure confidential treatment of such information at least as diligent as such Party would use to protect its own confidential information, but in no event less than reasonable efforts. In any event, the Parties agree to take all reasonable action to avoid disclosure of Confidential Information hereunder.

6.4 Public Announcements.

(a) Press Releases. As soon as practicable following the date hereof, the Parties shall each issue a mutually agreed to press release announcing the existence of this Agreement. Except as required by Applicable Laws (including disclosure requirements of the U.S. Securities and Exchange Commission ("***SEC***") or any stock exchange on which securities issued by a Party or its Affiliates are traded), neither Party shall make any other public announcement concerning this Agreement or the subject matter hereof without the prior written

consent of the other, which shall not be unreasonably withheld or delayed; provided that each Party may make any public statement in response to questions by the press, analysts, investors or those attending industry conferences or financial analyst calls, or issue press releases, so long as any such public statement or press release is not inconsistent with prior public disclosures or public statements approved by the other Party pursuant to this Section 6.4 and which do not reveal non-public information about the other Party. In the event of a required public announcement, to the extent practicable under the circumstances, the Party making such announcement shall provide the other Party with a copy of the proposed text of such announcement sufficiently in advance of the scheduled release to afford such other Party a reasonable opportunity to review and comment upon the proposed text.

(b) Filing of this Agreement. The Parties will coordinate in advance with each other in connection with the filing of this Agreement (including redaction of certain provisions of this Agreement) with the SEC or any stock exchange or governmental agency on which securities issued by a Party or its Affiliate are traded, and each Party will use reasonable efforts to seek confidential treatment for the terms proposed to be redacted; provided that each Party will ultimately retain control over what information to disclose to the SEC or any stock exchange or other governmental agency, as the case may be, and provided further that the Parties will use their reasonable efforts to file redacted versions with any governing bodies which are consistent with redacted versions previously filed with any other governing bodies. Other than such obligation, neither Party (or its Affiliates) will be obligated to consult with or obtain approval from the other Party with respect to any filings to the SEC or any stock exchange or other governmental agency.

6.5 Publication. At least ten (10) Business Days prior to publishing, publicly presenting, and/or submitting for written or oral publication a manuscript, abstract or the like that includes Information relating to any Compound or Product that has not been previously published, each Party shall provide to the other Party a draft copy thereof for its clinical review (unless such Party is required by law to publish such Information sooner, in which case such Party shall provide such draft copy to the other Party as much in advance of such publication as possible). The publishing Party shall consider in good faith any comments provided by the other Party during such ten (10) Business Day period. In addition, the publishing Party shall, at the other Party's reasonable request, remove therefrom any Confidential Information of such other Party. The contribution of each Party shall be noted in all publications or presentations by acknowledgment or co-authorship, whichever is appropriate. Notwithstanding the foregoing, after the Commercial Launch, Santen may, without providing a draft copy to Tracon, publish any Information relating to the Product in the Field, which is not provided by Tracon hereunder.

6.6 Prior Non-Disclosure Agreement. As of the Effective Date, the terms of this Article 6 shall supersede any prior non-disclosure, secrecy or confidentiality agreement between the Parties (or their Affiliates) dealing with the subject of this Agreement, including the Nondisclosure Agreement. Any information disclosed pursuant to any such prior agreement shall be deemed Confidential Information for purposes of this Agreement.

6.7 Equitable Relief. Given the nature of the Confidential Information and the competitive damage that would result to a Party upon unauthorized disclosure, use or transfer of its Confidential Information to any Third Party, the Parties agree that monetary damages would

not be a sufficient remedy for any breach of this Article 6. In addition to all other remedies, a Party shall be entitled to seek specific performance and injunctive and other equitable relief as a remedy for any breach or threatened breach of this Article 6.

7. REPRESENTATIONS AND WARRANTIES; LIMITATION OF LIABILITY

7.1 Mutual Representations and Warranties. Each Party represents and warrants to the other that, as of the Effective Date:

(a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action; and

(c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

7.2 Additional Tracon Representations, Warranties and Covenants. Tracon represents, warrants and covenants to Santen, as of the Effective Date, as follows:

(a) Tracon has (i) sufficient legal or beneficial title, ownership or license rights in or to the Licensed Technology to grant the License to Santen as purported to be granted pursuant to this Agreement, including Santen's rights to sublicense as described in Section 2.2(a); and (ii) no Third Party (other than the RPCI Licensor) has taken any action before the United States Patent and Trademark Office, or any counterpart thereof outside the U.S., claiming legal or beneficial ownership of or license to any of the Licensed Patents; there is no Compound Manufacturing IP as of the Effective Date;

(b) Tracon has not as of the Effective Date, and will not during the Term, grant any right to any Third Party under the Licensed Technology in the Field or that would otherwise conflict with the rights granted to Santen hereunder;

(c) Tracon has not received any notice from a Third Party alleging that (i) the practice of the Licensed Technology infringes or may infringe such Third Party's intellectual property right, or (ii) any research, development or manufacture of the Products by Tracon prior to the Effective Date infringed or misappropriated the intellectual property rights of such Third Party;

(d) Tracon is not aware, as of the Effective Date, of any issued patent or published patent owned by a Third Party (other than RPCI and Lonza) that may be infringed by the development or manufacture of TRC105 or the […***…] version of TRC105 or by the development, manufacture and commercialization of any Product containing TRC105 or the

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[…***…] version of TRC105, provided however, that Tracon makes no representation with respect to the infringement of any Third Party use Patents in the Field;

(e) (i) the Licensed Patents that are issued as of the Effective Date are, to Tracon's knowledge, valid and in force, and (ii) no Third Party has asserted in writing that such issued Licensed Patents are invalid or unenforceable in the Territory;

(f) there are no pending actions, claims, investigations, suits or proceedings against Tracon or any of its Affiliates, at law or in equity, or before or by any Regulatory Authority, and Tracon has not received any written notice regarding any pending or threatened actions, claims, investigations, suits or proceedings against Tracon or any of its Affiliates, at law or in equity, or before or by any Regulatory Authority, in either case with respect to the Licensed Technology, and no Licensed Patent is the subject of any interference, opposition, cancellation or other protest proceeding;

(i) The Licensed Patents listed on ***Exhibits A-1*** and ***A-3*** are all Patents licensed from RPCI or Health Research, Inc. with respect to the Compounds, and there are no other agreements or understandings between RPCI or Health Research, Inc. and Tracon with respect to the Compound; and

(ii) Tracon has provided Santen a true and complete copy of the RPCI Agreement, and the RPCI Agreement is in full force and effect in accordance with its terms;

(iii) Tracon is in compliance in all material respects with its obligations under the RPCI Agreement and, to Tracon's knowledge, (A) RPCI has not breached the RPCI Agreement in any material respect, and (B) there is no basis for termination of the RPCI Agreement;

(iv) no Information licensed by RPCI to Tracon is necessary or useful for the exercise by Santen of its rights hereunder; and

(v) Tracon has the full rights to grant the sublicense under the RPCI Patents to Santen, including those Licensed Patents listed on ***Exhibit A-1*** as jointly owned by Tracon and Health Research, Inc., without consent of RPCI or Health Research, Inc.;

(vi) Tracon (i) has provided Santen a true and complete copy of the Lonza Agreement, and the Lonza Agreement is in full force and effect in accordance with its terms; and (ii) is in compliance in all material respects with its obligations under the Lonza Agreement; to Tracon's knowledge, (A) Lonza has not breached the Lonza Agreement in any material respect, and (B) there is no basis for termination of the Lonza Agreement; and there are no other agreements or understandings between Lonza and Tracon with respect to the Compound;

(g) No authorization, consent, approval of a Third Party, nor to Tracon's knowledge, any license, permit, exemption of or filing or registration with or notification to any court or Regulatory Authority is or will be necessary for the (i) valid execution and delivery of this Agreement by Tracon; or (ii) the consummation by Tracon of the transactions contemplated hereby as of the Effective Date (provided however that nothing in this Section 7.2(g) shall be

deemed to be a representation or warranty by Tracon that the exercise of its rights under this Agreement will not infringe the intellectual property rights of any Third Party);

(h) Tracon has complied with all Applicable Laws in connection with Tracon's prosecution of the Licensed Patents other than the RPCI Patents, including the duty of candor owed to any patent office pursuant to such laws;

(i) Neither Tracon nor any of its Affiliates has received any written notice of any unauthorized use, infringement, misappropriation, or dilution by any person, including any current or former employee or consultant of Tracon or its Affiliates, of the Licensed Technology, and to Tracon's knowledge, no Third Party is infringing or misappropriating or has infringed or misappropriated the Licensed Technology;

(j) The Licensed Technology includes all intellectual property rights Controlled by Tracon as of the Effective Date, which are reasonably necessary for the development and commercialization of the Products in the Field;

(k) The Patents listed on ***Exhibit A*** are the only Patents relating to the Compounds or Products, including the methods of use in the Field or manufacture of the Compounds or Products, which Tracon or a Tracon Affiliate has an ownership or license interest (other than any Patents […***…]), either alone or jointly with any Third Party, as of the Effective Date;

(l) The inventors named in the Licensed Patents (excluding the RPCI Patents) are all of the inventors of the inventions claimed in such Licensed Patents and each of such inventors has assigned, or is under a written obligation to assign, to Tracon or its Affiliates all of his or her right, title and interest to such Licensed Patents (excluding the RPCI Patents) and the inventions described therein;

(m) all of Tracon's and its Affiliates' employees or contractors acting on its behalf performing research, development, manufacturing, regulatory or commercialization activities with respect to TRC105 are and will be obligated under a binding written agreement to comply with obligations of confidentiality and non use no less restrictive than those set forth in Section 6;

(n) neither Tracon nor any of its Affiliates is debarred or disqualified under the United States Federal Food, Drug and Cosmetic Act or comparable Applicable Laws in the Territory and it does not, and will not during the Term, employ or use the services of any person who is debarred or disqualified, in connection with activities relating to TRC105 outside the Field; and in the event that Tracon becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person providing services to Tracon, including any of Tracon and its Affiliates or Sublicensees, which directly or indirectly relate to TRC105 outside the Field, Tracon shall immediately notify Santen in writing and Tracon shall cease employing, contracting with, or retaining any such person to perform any services relating to TRC105 outside the Field;

(o) in the performance of its obligations under this Agreement, Tracon shall comply and shall cause its and its Affiliates' employees and contractors to comply with all Applicable Laws;

(p) Tracon and, to its knowledge, its and its Affiliates' employees and contractors have not and shall not, in connection with the performance of their respective obligations under this Agreement directly or indirectly through Third Parties, pay, promise or offer to pay, or authorize the payment of, any money or give any promise or offer to give, or authorize the giving of anything of value to a Public Official or Entity or other person for purpose of obtaining or retaining business for or with, or directing business to, any person, including Tracon (it being understood that, without any limitation to the foregoing, Tracon, and to its knowledge, its and its Affiliates' employees and contractors, has not directly or indirectly promised, offered or provided any corrupt payment, gratuity, emolument, bribe, kickback, illicit gift or hospitality or other illegal or unethical benefit to a Public Official or Entity or any other person in connection with the performance of Tracon's obligations under this Agreement, and shall not, directly or indirectly, engage in any of the foregoing);

(q) Tracon and its Affiliates, and their respective employees and contractors, in connection with the performance of their respective obligations under this Agreement, shall not cause Santen or its officers, directors, employees or agents to be in violation of the FCPA, Export Control Laws, or any other Applicable Laws or otherwise cause any reputational harm to the Santen or its officers, directors, employees or agents; and

(r) Tracon shall immediately notify the other Party if it has any information or suspicion that there may be a violation of the FCPA, Export Control Laws, or any other Applicable Laws in connection with the performance of its obligations under this Agreement or its other activities with TRC105.

7.3 Additional Santen Representations and Warranties. Santen represents and warrants to Tracon, as of the Effective Date:

(a) Santen (i) has the right to grant the license in Section 2.5 as of the Effective Date; and (ii) has not as of the Effective Date, and will not during the Term, grant any right to any Third Party that would conflict with the rights granted to Tracon hereunder;

(b) no authorization, consent, approval of a Third Party, nor to Santen's knowledge, any license, permit, exemption of or filing or registration with or notification to any court or Regulatory Authority is or will be necessary for the (i) valid execution and delivery of this Agreement by Santen; or (ii) the consummation by Santen of the transactions contemplated hereby as of the Effective Date (provided however that nothing in this Section 7.3(b) shall be deemed to be a representation or warranty by Santen that its exercise of its rights under this Agreement will not infringe the intellectual property rights of any Third Party);

(c) all of Santen's and its Affiliates' employees or contractors acting on its behalf performing research, development, manufacturing, regulatory or commercialization activities with respect to Compounds and Products in the Field in the Territory as contemplated

by this Agreement are and will be obligated under a binding written agreement to comply with obligations of confidentiality and non-use no less restrictive than those set forth in Section 6;

(d) neither Santen nor any of its Affiliates is debarred or disqualified under the United States Federal Food, Drug and Cosmetic Act or comparable Applicable Laws in the Territory and it does not, and will not during the Term, employ or use the services of any person who is debarred or disqualified, in connection with activities relating to Compounds or Products in the Field in the Territory; and in the event that Santen becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person providing services to Santen, including any of Santen and its Affiliates or Sublicensees, which directly or indirectly relate to Compounds or Products in the Field in the Territory, Santen shall immediately notify Tracon in writing and Santen shall cease employing, contracting with, or retaining any such person to perform any services relating to Compounds or Products in the Field in the Territory;

(e) in the performance of its obligations under this Agreement, Santen shall comply and shall cause its and its Affiliates' employees and contractors to comply with all Applicable Laws;

(f) Santen and, to its knowledge, its and its Affiliates' employees and contractors have not and shall not, in connection with the performance of their respective obligations under this Agreement directly or indirectly through Third Parties, pay, promise or offer to pay, or authorize the payment of, any money or give any promise or offer to give, or authorize the giving of anything of value to a Public Official or Entity or other person for purpose of obtaining or retaining business for or with, or directing business to, any person, including Santen (it being understood that, without any limitation to the foregoing, Santen, and to its knowledge, its and its Affiliates' employees and contractors, has not directly or indirectly promised, offered or provided any corrupt payment, gratuity, emolument, bribe, kickback, illicit gift or hospitality or other illegal or unethical benefit to a Public Official or Entity or any other person in connection with the performance of Santen's obligations under this Agreement, and shall not, directly or indirectly, engage in any of the foregoing);

(g) Santen and its Affiliates, and their respective employees and contractors, in connection with the performance of their respective obligations under this Agreement, shall not cause Tracon or its officers, directors, employees or agents to be in violation of the FCPA, Export Control Laws, or any other Applicable Laws or otherwise cause any reputational harm to Tracon or its officers, directors, employees or agents;

(h) Santen shall immediately notify Tracon if Santen has any information or suspicion that there may be a violation of the FCPA, Export Control Laws, or any other Applicable Laws in connection with the performance of its obligations under this Agreement or the performance of research, development, manufacturing, regulatory or commercialization activities with respect to Compounds and Products in the Field in the Territory; and

(i) Santen has in place an anti-corruption and anti-bribery policy and in connection with the performance of its obligations under this Agreement, Santen shall comply and shall cause its and its Affiliates' employees to comply with Santen's policy.

7.4 Performance by Affiliates, Sublicensees and Subcontractors. The Parties recognize that each may perform some or all of its obligations or exercise some or all of its rights under this Agreement through one or more Affiliates or subcontractors or, in the case of Santen, Sublicensees; provided, however, that each Party shall remain responsible for the performance by its Affiliates, subcontractors and Sublicensees and shall cause its Affiliates, subcontractors and Sublicensees to comply with the provisions of this Agreement in connection with such performance. In particular, if any Affiliate, subcontractor or Sublicensee participates in research, development, manufacturing or commercialization activities under this Agreement or with respect to Products, the restrictions of this Agreement which apply to the activities of such Party with respect to Products shall apply equally to the activities of such Affiliate, subcontractor or Sublicensee.

7.5 Disclaimer. Except as expressly set forth in this Agreement, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER AND THE ASSISTANCE TO BE PROVIDED BY ANY OF THE PARTIES TO THE OTHER HEREUNDER ARE PROVIDED "AS IS," AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OBTAINING SUCCESSFUL RESULTS, OR NON-INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, EXCEPT AS REPRESENTED ABOVE IN THIS ARTICLE 7, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES.

7.6 Limitation of Liability. EXCEPT FOR PAYMENTS UNDER ARTICLE 4 OR LIABILITY FOR BREACH OF ARTICLE 6, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; *provided, however,* that this Section 7.6 shall not be construed to limit either Party's indemnification obligations under Article 10.

8. INTELLECTUAL PROPERTY

8.1 Ownership. As between the Parties, Tracon is the owner or, in the case of RPCI Patents, exclusive licensee, of all right, title and interest in and to the Licensed Technology, and Santen is the owner of all right, title and interest in and to the Santen Technology. A Party shall have and retain all right, title and interest in any discovery or invention, whether or not patentable, relating to any Compound or any Product or its manufacture or use made in the course of research, development, manufacturing, regulatory or commercialization activities as contemplated by this Agreement solely by one or more employees or agents of such Party and/or its Affiliates or other persons acting under their authorities. The Parties shall jointly own rights in any discovery or invention, whether or not patentable, relating to any Compound or any Product or its manufacture or use made in the course of research, development, manufacturing, regulatory or commercialization activities as contemplated by this Agreement jointly by one or more employees or agents of each Party and/or its Affiliates or other persons acting under their authorities ("***Joint Inventions***") and Patent rights therein ("***Joint Patents***"). As joint owners, each Party shall be entitled to use, and grant licenses to use, Joint Inventions and Joint Patents

without the consent of or any duty of accounting to the other Party, and Tracon's interest in such Joint Inventions and Joint Patents shall be part of the Licensed Technology and shall be subject to the License granted to Santen. Inventorship shall be determined in accordance with U.S. patent law.

8.2 Patent Prosecution and Maintenance.

(a) Licensed Patents. Tracon shall have the sole (subject to Section 8.2(a)(ii)) right, but not the obligation, at its own expense, to control the preparation, filing, prosecution (including any interferences, reissue proceedings and reexaminations) and maintenance of the Licensed Patents. Tracon shall keep Santen reasonably informed of progress with regard to the preparation, filing, prosecution and maintenance of Licensed Patents including the countries in the Territory in which it intends to file, maintain or abandon a given Licensed Patent. Tracon will notify Santen of all warning letters, conflict proceedings, reexaminations, reissuance, oppositions, revocation proceedings or any other material challenge relating to a given Licensed Patent. Tracon will consult with, and consider in good faith the requests and suggestions of, Santen with respect to strategies for filing and prosecuting Licensed Patents. In the event that Tracon desires to abandon or cease prosecution or maintenance of any Licensed Patent, Tracon shall provide reasonable prior written notice to Santen of such intention (which notice shall, in any event, be given no later than sixty (60) days prior to the next deadline for any action that may be taken with respect to such Patent with the applicable patent office), and upon Santen's written election provided no later than thirty (30) days after such notice from Tracon, Tracon shall continue prosecution and/or maintenance of

such Patent at Santen's direction and expense; provided, that Santen shall be allowed to offset its out-of-pocket costs for prosecuting and maintaining such Patents from the royalty and other payments due to Tracon under this Agreement. If Santen does not provide such election within thirty (30) days after such notice from Tracon or fails to pay for prosecution or maintenance of any Licensed Patent, if any, with respect to which it has previously made such election, Tracon may, in its sole discretion, continue prosecution and maintenance of such Patent or discontinue prosecution and maintenance of such Patent. The provisions of this Section 8.2(a) are subject to the rights of RPCI Licensor under the RPCI Agreement with respect to the RPCI Patents. With respect to Licensed Patents that have issued or may issue, a statement referencing the exclusive license granted to Santen pursuant to Section 2.1 shall be registered with the patent office in the countries designated by Santen, at Santen's cost, as soon as is practically possible after the issuance of the respective Licensed Patents. Tracon shall execute, and shall use Commercially Reasonable Efforts to cause RPCI Licensor to execute, such documents and instruments as may be required to effect the registration of such statement or otherwise cooperate with Santen in connection with the registration of such statement with the respective patent offices where required or permitted by Applicable Laws.

(b) Santen Patents.

(i) Santen shall have the sole (subject to Section 8.2(b)(ii)) right, but not the obligation, at its own expense, to control the preparation, filing, prosecution (including any interferences, reissue proceedings and reexaminations) and maintenance of the Santen Patents. Santen shall keep Tracon reasonably informed of progress with regard to the preparation, filing, prosecution and maintenance of Santen Patents, including the countries in the

Territory in which it intends to file, maintain or abandon a Santen Patent. Santen will notify Tracon of all warning letters, conflict proceedings, reexaminations, reissuance, oppositions, revocation proceedings or any other material challenge relating to a Santen Patent. Santen will consult with, and consider in good faith the requests and suggestions of, Tracon with respect to strategies for filing and prosecuting such Santen Patents.

(ii) In the event that Santen desires to abandon or cease prosecution or maintenance of any Santen Patent, Santen shall provide reasonable prior written notice to Tracon of such intention (which notice shall, in any event, be given no later than sixty (60) days prior to the next deadline for any action that may be taken with respect to such Santen Patent or Joint Patent with the applicable patent office), and upon Tracon's written election provided no later than thirty (30) days after such notice from Santen, Santen shall continue prosecution and/or maintenance of such Santen Patent at Tracon's direction and expense. If Tracon does not provide such election within thirty (30) days after such notice from Santen or fails to pay for prosecution or maintenance of any Santen Patent with respect to which it has previously made such election, Santen may, in its sole discretion, continue prosecution and maintenance of such Santen Patent or discontinue prosecution and maintenance of such Santen Patent.

(c) Joint Patents.

(i) Santen shall have the first right, but not the obligation, to control the preparation, filing, prosecution (including any interferences, reissue proceedings and reexaminations) and maintenance of the Joint Patents, using a patent counsel selected jointly by the Parties. Santen shall keep Tracon reasonably informed of progress with regard to the preparation, filing, prosecution and maintenance of Joint Patents and shall consult with Tracon regarding the countries in the Territory in which to file, maintain or abandon a Joint Patent. Santen will provide Tracon with (A) a copy of the final draft of any proposed application for a Joint Patent at least thirty (30) days prior to filing the same in any patent office worldwide, (B) a copy of each patent application for a Joint Patent as filed, together with a notice of its filing date and serial number, (C) a copy of any action, communication, letter, or other correspondence issued by the relevant patent office within ten (10) days of receipt thereof, (D) a copy of any response, amendment, paper, or other correspondence filed with the relevant patent office within ten (10) days of receipt of the as-filed document, and (E) prompt notice of the allowance, grant, or issuance of any Joint Patents. Santen will also notify Tracon of all warning letters, conflict proceedings, reexaminations, reissuance, oppositions, revocation proceedings or any other material challenge relating to a Joint Patent. Santen will consult with, and consider in good faith the requests and suggestions of, Tracon with respect to strategies for filing and prosecuting Joint Patents. The Parties shall share equally the expenses of the foregoing for Joint Patents. Santen shall invoice Tracon periodically, but not more often than monthly, for such expenses with respect to Joint Patents, and payment shall be due thereon within thirty (30) days. If Tracon declines or fails to pay for its share of expenses for any Joint Patent, then such patent shall be automatically assigned to Santen without any charge and it shall be owned by Santen but shall neither be considered a Licensed Patent nor a Santen Patent hereunder.

(ii) In the event that Santen desires to abandon or cease prosecution or maintenance of any Joint Patent, Santen shall provide reasonable prior written notice to Tracon of such intention (which notice shall, in any event, be given no later than sixty (60) days prior to

the next deadline for any action that may be taken with respect to such Joint Patent with the applicable patent office), and upon Tracon's written election provided no later than thirty (30) days after such notice from Santen, Santen shall assign such Joint Patent to Tracon. If Tracon does not provide such election within thirty (30) days after such notice from Santen, Santen may, in its sole discretion, continue prosecution and maintenance of such Joint Patent or discontinue prosecution and maintenance of such Joint Patent.

If Santen fails to pay for its share of expenses for any Joint Patent, then such patent shall be automatically assigned to Tracon without any charge and it shall be owned by Tracon but shall not be considered a Licensed Patent hereunder.

(d) Cooperation of the Parties. Each Party agrees to cooperate fully in the preparation, filing, prosecution and maintenance of Licensed Patents, Santen Patents and Joint Patents under this Section 8.2 and in the obtaining and maintenance of any patent extensions, supplementary protection certificates and the like with respect thereto respectively at its own costs. Such cooperation includes, but is not limited to: (a) executing all papers and instruments, or requiring its employees or contractors, to execute such papers and instruments, so as to enable the other Party to apply for and to prosecute patent applications in any country as permitted by this Section 8.2; and (b) promptly informing the other Party of any matters coming to such Party's attention that may affect the preparation, filing, prosecution or maintenance of any such patent applications.

8.3 Infringement by Third Parties.

(a) Notice. In the event that either Tracon or Santen becomes aware of any infringement or threatened infringement by a Third Party of any Licensed Patent, Santen Patent or Joint Patent, it shall notify the other Party in writing to that effect.

(b) Licensed Patents. Tracon shall have the first right, but not the obligation, to bring and control any action or proceeding with respect to infringement of any Licensed Patent at its own expense and by counsel of its own choice, and, to the extent any such infringement is in the Field, Santen shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Tracon fails to bring any such action or proceeding with respect to infringement of any Licensed Patent within ninety (90) days following the notice of alleged infringement (or sooner, if failure to take such action would adversely affect Santen's ability to exercise its right under this Section 8.3(b) and provided that Santen gives Tracon at least three (3) Business Days' notice of such fact), Santen shall have the right to bring and control any such action at its own expense and by counsel of its own choice but only to the extent such infringement is in the Field, and Tracon shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. The provisions of this Section 8.3(b) are subject to the rights and obligations of RPCI Licensor under the RPCI Agreement with respect to patent infringement actions and proceedings regarding the RPCI Patents.

(c) Santen Patents. Santen shall have the first right, but not the obligation, to bring and control any action or proceeding with respect to infringement of any Santen Patent at its own expense and by counsel of its own choice, and, to the extent any such infringement is outside the Field, Tracon shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Santen fails to bring any such action or proceeding with

respect to infringement of any Santen Patent within ninety (90) days following the notice of alleged infringement (or sooner, if failure to take such action would adversely affect Tracon's ability to exercise its right under this Section 8.3(c) and provided that Tracon gives Santen at least three (3) Business Days' notice of such fact), Tracon shall have the right to bring and control any such action at its own expense and by counsel of its own choice but only to the extent such infringement is outside the Field, and Santen shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

(d) Joint Patents. Santen shall have the first right, but not the obligation, to bring and control any action or proceeding with respect to infringement of any Joint Patent at its own expense and by counsel of its own choice, and Tracon shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Santen fails to bring any such action or proceeding with respect to infringement of any Joint Patent within ninety (90) days following the notice of alleged infringement (or sooner, if failure to take such action would adversely affect Tracon's ability to exercise its right under this Section 8.3(d) and provided that Tracon gives Santen at least three (3) Business Days' notice of such fact), Tracon shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Santen shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

(e) Cooperation; Award. In the event a Party brings an infringement action in accordance with this Section 8.3, the other Party shall cooperate fully, including, if required to bring such action, the furnishing of a power of attorney or being named as a party. Neither Party shall enter into any settlement or compromise of any action under this Section 8.3 which would in any manner alter, diminish, or be in derogation of the other Party's rights under this Agreement without the prior written consent of such other Party, which shall not be unreasonably withheld. Except as otherwise agreed by the Parties in connection with a cost-sharing arrangement, any recovery realized by a Party as a result of any action or proceeding pursuant to this Section 8.3, whether by way of settlement or otherwise, shall be applied first to reimburse the Parties' documented out-of-pocket legal expenses relating to the action or proceeding in proportion to their expenses, and any remaining amounts shall be […***…] and, in the case Santen brought and controlled such action or proceeding, such remaining amounts that […***…].

8.4 Infringement of Third Party Rights. Each Party shall promptly notify the other Party in writing of any allegation by a Third Party that the activity of either Party pursuant to this Agreement infringes or may infringe the intellectual property rights of such Third Party. In such event, the provision of Section 10.2 and 10.3 shall govern the rights of the Parties, as applicable.

8.5 Marking. To the extent required by law, Santen shall, and shall cause its Affiliates and/or Sublicensees to, mark all Products sold under this Agreement with the number of each issued Licensed Patent that applies to such Product.

8.6 Trademarks. Santen shall own and be responsible for all trademarks, trade names, branding, or logos related to Products in the Field in the Territory, and will be

responsible for selecting, registering, defending, and maintaining the same at Santen's sole cost and expense.

9. TERM; TERMINATION

9.1 Term. This Agreement shall commence on the Effective Date, and unless terminated earlier as provided in this Article 9 or by written agreement of the Parties, shall expire upon the expiration of all payment obligations of Santen under Article 4 of this Agreement (the "***Term***").

9.2 Termination.

(a) Material Breach. A Party shall have the right to terminate this Agreement upon written notice to the other Party if such other Party is in material breach of this Agreement and has not cured such breach within ninety (90) days (or thirty (30) days with respect to any payment breach) after notice from the terminating Party requesting cure of the breach. Any such termination shall become effective at the end of such ninety (90) day (or thirty (30) day with respect to any payment breach) period unless the breaching Party has cured such breach prior to the end of such period or if not curable within such ninety (90) day period, has taken and continues to take good faith steps to commence the cure and has cured such breach within one hundred eighty (180) days after notice from the terminating Party requesting cure of the breach (or such later date as agreed in writing by the Parties).

(b) Bankruptcy. A Party shall have the right to terminate this Agreement upon written notice to the other Party upon the bankruptcy, dissolution or winding up of such other Party, or the making or seeking to make or arrange an assignment for the benefit of creditors of such other Party, or the initiation of proceedings in voluntary or involuntary bankruptcy against such other Party, or the appointment of a receiver or trustee of such other Party's property that is not discharged within thirty (30) days.

(c) Patent Challenge. Tracon shall have the right to terminate this Agreement immediately upon written notice to Santen if Santen or any of its Affiliates or Sublicensees, directly or indirectly through any Third Party, commences any interference or opposition proceeding with respect to, challenges the validity or enforceability of, or opposes any extension of, or the grant of a supplementary protection certificate with respect to, any Licensed Patent. Santen shall have the right to terminate this Agreement, or only the licenses granted under Section 2.5 of this Agreement, immediately upon written notice to Tracon if Tracon or any of its Affiliates or sublicensees, directly or indirectly through any Third Party, commences any interference or opposition proceeding with respect to, challenges the validity or enforceability of, or opposes any extension of, or the grant of a supplementary protection certificate with respect to, any Santen Patent.

(d) Santen Termination At Will. Santen shall have the right to terminate this Agreement in its entirety or on a country-by-country basis, for any reason or for no reason, upon at least ninety (90) days' (or thirty (30) days' notice if subsequent to a Change of Control) prior written notice to Tracon, specifying the countries with respect to which this Agreement is

terminated (the "***Terminated Countries***"). In such event, absent a breach by Santen, no compensation or damages shall be due to Tracon solely due to the termination of this Agreement.

(e) Termination with Respect to RPCI Patents. Upon early termination of the RPCI Agreement, all rights under the License with respect to RPCI Patents shall automatically terminate, and if Santen is in compliance with this Agreement as of the date of such termination and termination of the RPCI Agreement was not caused by any act or omission on the part of Santen or any of its Affiliates or Sublicensees, the sublicense under RPCI Patents granted by Tracon to Santen pursuant to this Agreement may, at Santen's option, remain in effect between Santen and RPCI Licensor in accordance with the provisions of the RPCI Agreement, except that RPCI shall not be obligated to incur any obligation to Santen not already incurred to Tracon by RPCI Licensor in the RPCI Agreement, and further Santen shall not be obligated to incur any obligation to RPCI Licensor already incurred to Tracon hereunder. Upon expiration of the RPCI Agreement, the License with respect to RPCI Patents shall survive on a fully-paid, royalty-free, non-exclusive, irrevocable and perpetual basis.

9.3 Effect of Expiration or Termination.

(a) Effect of Expiration. Upon expiration (but not earlier termination) of this Agreement and provided that Santen has paid all undisputed payments payable under this Agreement, the License shall survive on a fully-paid, royalty-free, irrevocable, perpetual basis, and all other rights and obligations of the Parties under this Agreement shall terminate, except as provided elsewhere in this Section 9.3 or in Section 9.4.

(b) Effect of Termination. Upon any termination of this Agreement (but not expiration under Section 9.1), the License shall automatically terminate and revert to Tracon, and all other rights and obligations of the Parties under this Agreement shall terminate, except as provided elsewhere in this Section 9.3 or in Section 9.4. If Santen terminates this Agreement pursuant to

Section 9.2(d) with respect to specific Terminated Countries, then (i) this Agreement shall remain in full force and effect in all countries other than the Terminated Countries, (ii) all of the consequences set forth in this Section 9.3 and Section 9.4, including references to Territory (but not to remaining Territory), shall apply solely with respect to the Terminated Countries, (iii) Santen's rights under Section 2.1 to develop, manufacture and have manufactured Products in the Terminated Countries shall continue on a non-exclusive basis solely for development or commercialization of such Product in the Field in the remaining Territory and references to the Territory in this Agreement shall thereafter exclude the Terminated Countries, and (iv) Tracon shall have the right, itself and with its Affiliates and licensees, to develop, manufacture and have manufactured Products in the Territory outside the Terminated Countries on a non-exclusive basis solely for development and commercialization of such Products in the Field in the Terminated Countries.

(c) Additional Effects of Termination. Upon any termination of this Agreement (but not expiration under Section 9.1), except termination of this Agreement by Santen under Section 9.2(a), Section 9.2(b) or Section 9.2(c), the following provisions shall apply:

(i) Effective as of such termination, Santen shall, and it hereby does, effective as of such termination, grant to Tracon an exclusive (except for Santen and its Affiliates), royalty-free, fully-paid, irrevocable and perpetual license, with the right to sublicense through multiple tiers of sublicense, under the Santen Technology, solely to develop, manufacture, have manufactured, use, promote, sell, offer to sell, import and export Compounds and Products in the Field in the Territory, or in the case of a partial termination under Section 9.2(d) only for the Terminated Countries, and the license granted under Section 2.5 outside the Field shall become exclusive (except for Santen and its Affiliates).

(ii) Santen shall, and it hereby does, effective as of such termination, assign to Tracon all of Santen's right, title and interest in and to any and all Product-specific trademarks used by Santen and its Affiliates in the Territory, or the Terminated Countries in the case of a partial termination under Section 9.2(d), including all goodwill therein, and Santen shall promptly take such actions and execute such instruments, assignments and documents as may be necessary to effect, evidence, register and record such assignment, at Tracon's cost.

(iii) As promptly as practicable (and in any event within 90 days) after such termination, Santen shall: (A) to the extent not previously provided to Tracon, deliver to Tracon true, correct and complete copies of all regulatory filings and registrations (including Regulatory Approvals) for Products in the Field in the Territory, or the Terminated Countries in the case of a partial termination under Section 9.2(d), and disclose to Tracon all Santen Know-How not previously disclosed to Tracon; (B) transfer or assign, or cause to be transferred or assigned, to Tracon or its designee (or to the extent not so assignable, take all reasonable actions to make available to Tracon or its designee the benefits of) all regulatory filings and registrations (including Regulatory Approvals) for Products in the Field in the Territory, or the Terminated Countries in the case of a partial termination under Section 9.2(d), whether held in the name of Santen or its Affiliate; and (C) take such other actions and execute such other instruments, assignments and documents as may be necessary to effect, evidence, register and record the transfer, assignment or other conveyance of rights under this Section 9.3(c)(iii) to Tracon. Notwithstanding the foregoing, in case of partial termination hereof by Santen in Terminated Countries, pursuant to Section 9.2(d), Santen may refer to or use such regulatory filings and registrations for the development, manufacture or commercialization of the Products in the remaining Territory, and Tracon or its Affiliates or licensees may refer to or use such regulatory filings and registrations in the Territory other than the Terminated Countries for the development, manufacture or commercialization of the Compound and/or the Products in the Terminated Countries.

(iv) Santen shall, as directed by Tracon, either wind-down any ongoing development activities of Santen and its Affiliates and Sublicensees with respect to any Products in the Field in the Territory, or the Terminated Countries in the case of a partial termination under Section 9.2(d), in an orderly fashion or promptly transfer such development activities to Tracon or its designee, in compliance with all Applicable Laws.

(d) Confidential Information. Upon expiration or termination of this Agreement in its entirety, except to the extent that a Party retains a license from the other Party as provided in this Article 9, each Party shall promptly return to the other Party, or delete or destroy, all relevant records and materials in such Party's possession or control containing

Confidential Information of the other Party; provided that such Party may keep one copy of such materials for archival purposes only subject to a continuing confidentiality obligations.

9.4 Accrued Obligations; Survival. Neither expiration nor any termination of this Agreement shall relieve either Party of any obligation or liability accruing prior to such expiration or termination, nor shall expiration or any termination of this Agreement preclude either Party from pursuing all rights and remedies it may have under this Agreement, at law or in equity, with respect to breach of this Agreement. In addition, the Parties' rights and obligations under Sections 2.5 (except in the case of termination by Santen pursuant to Section 9.2(a), 9.2(b) or 9.2(c)), 5.4, 5.5, 7.5, 7.6, 8.1, 9.3 and 9.4 and Articles 1, 6, 10, 11 and 12 of this Agreement shall survive expiration or any termination of this Agreement.

9.5 Rights Upon Bankruptcy. All rights and licenses granted under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of Title 11 of the United States Code ("***Section 365(n)***") and other similar laws in any

jurisdiction outside the U.S. (collectively, the "***Bankruptcy Laws***"), licenses of rights to be "intellectual property" as defined under the Bankruptcy Laws. If a case is commenced during the Term by or against a Party under the Bankruptcy Laws then, unless and until this Agreement is rejected as provided in such Bankruptcy Laws, such Party (in any capacity, including debtor-in-possession) and its successors and assigns (including a trustee) shall perform all of the obligations provided in this Agreement to be performed by such Party, including with respect to the RPCI Patents. If a case is commenced during the Term by or against a Party under the Bankruptcy Laws, this Agreement is rejected or not assumed as provided in the Bankruptcy Laws and the other Party elects to retain its rights hereunder as provided in the Bankruptcy Laws, then the Party subject to such case under the Bankruptcy Laws (in any capacity, including debtor-in-possession) and its successors and assigns (including a Title 11 trustee), shall provide to the other Party copies of all Information necessary for such other Party to prosecute, maintain and enjoy its rights under the terms of this Agreement promptly upon such other Party's written request therefor, including, without limitation, with respect to the RPCI Patents. In a bankruptcy of RPCI Licensor, Tracon shall use commercially reasonable efforts to exercise all rights under Section 365(n) to the extent required to continue to sublicense the RPCI Patents to Santen in accordance with this Agreement. In a bankruptcy of Tracon, Tracon shall assume the RPCI Agreement and shall use commercially reasonable efforts to obtain any consent from the RPCI Licensor to such assumption if consent is required. All rights, powers and remedies of the non-bankrupt Party as provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, the Bankruptcy Laws) in the event of the commencement of a case by or against a Party under the Bankruptcy Laws. Section 365(n) and the terms of this Section 9.5 shall apply and shall be enforced in and by every court, tribunal, arbitrator, regulatory body or official resolving disputes between the Parties with respect to rights in intellectual property, whether such court, tribunal, arbitrator, regulatory body or official is located in the U.S. or in any other nation or jurisdiction.

10. INDEMNIFICATION

10.1 Indemnification of Tracon. Santen shall indemnify and hold harmless each of Tracon and its Affiliates and their respective directors, officers, employees, consultants, agents and successors and assigns of any of the foregoing (the "***Tracon Indemnitees***") from and against

any and all losses, damages, liabilities, expenses and costs, including reasonable legal expense and attorneys' fees ("***Losses***"), incurred by any Tracon Indemnitee as a result of any claims, demands, actions, suits or proceedings brought by a Third Party ("***Third Party Claims***") arising directly or indirectly out of: (a) the practice by Santen of the Licensed Technology or the practice of any sublicense granted by Santen under the Licensed Technology; (b) the research, development, manufacture, use, handling, storage, sale or other disposition of Compounds and Products by Santen or its Affiliates or Sublicensees; (c) the negligence or willful misconduct of any Santen Indemnitee (as defined below); or (d) any breach of any representations, warranties or covenants by Santen under this Agreement; except, in each case, to the extent such Third Party Claims fall within the scope of the indemnification obligations of Tracon set forth in Section 10.2, including, without limitation, indemnification for any breach of any representations and warranties by Tracon under this Agreement.

10.2 Indemnification of Santen. Tracon shall indemnify and hold harmless each of Santen and its Affiliates and their respective directors, officers, employees, consultants, agents and successors and assigns of any of the foregoing (the "***Santen Indemnitees***"), from and against any and all Losses incurred by any Santen Indemnitee as a result of any Third Party Claims arising directly or indirectly out of: (a) the practice by Tracon of the Santen Technology or the practice of any sublicense granted by Tracon under the Santen Technology; (b) the development, manufacture, use, handling, storage, sale or other disposition of the Compound and Products by Tracon or its Affiliates or licensees (other than Santen and its Affiliates and Sublicensees); (c) the negligence or willful misconduct of any Tracon Indemnitee; or (d) any breach of any representations, warranties or covenants by Tracon under this Agreement; except, in each case, to the extent such Third Party Claims fall within the scope of the indemnification obligations of Santen set forth in Section 10.1.

10.3 Procedure. A Tracon Indemnitee or Santen Indemnitee that intends to claim indemnification under this Article 10 (the "***Indemnitee***") shall promptly notify the indemnifying Party (the "***Indemnitor***") in writing of any Third Party Claim, in respect of which the Indemnitee intends to claim such indemnification, and the Indemnitor shall have sole control of the defense and/or settlement thereof. The indemnity arrangement in this Article 10 shall not apply to amounts paid in settlement of any action with respect to a Third Party Claim, if such settlement is effected without the consent of the Indemnitor, which consent shall not be withheld or delayed unreasonably. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any action with respect to a Third Party Claim shall only relieve the Indemnitor of its indemnification obligations under this Article 10 if and to the extent the Indemnitor is actually prejudiced thereby. The Indemnitee shall cooperate fully with the Indemnitor and its legal representatives in the investigation of any action with respect to a Third Party Claim covered by this indemnification.

10.4 Indemnification of RPCI Licensor. Santen shall defend, indemnify and hold harmless RPCI Licensor, its affiliates and their respective officers, trustees, employees and agents as provided in the RPCI Agreement with respect to any and all matters set forth therein to the extent arising out of or resulting from any actions or omissions of Santen or any of its Affiliates or Sublicensees.

10.5 Insurance. Each Party, at its own expense, shall maintain product liability and other appropriate insurance (or self-insure) in an amount consistent with sound business practice and reasonable in light of its obligations under this Agreement during the

Term. Each Party shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to the other Party upon request.

11. DISPUTE RESOLUTION

11.1 Disputes. Subject to Section 11.3, upon the written request of either Party to the other Party, any claim, dispute, or controversy as to the breach, enforcement, interpretation or validity of this Agreement (a "***Dispute***") shall be referred to a senior executive of Tracon and a senior executive of Santen. In the event that such senior executives are unable to resolve such Dispute within sixty (60) days after referral to them, the Dispute shall be referred to the Chief Executive Officer of Tracon and the Chief Executive Officer of Santen (or such executive's designee with decision-making authority) for attempted resolution. In the event such Chief Executive Officers (or designees) are unable to resolve such Dispute within sixty (60) days after referral to them, then, upon the written demand of either Party, the Dispute shall be subject to arbitration, as provided in Section 11.2, except as expressly set forth in Section 11.3.

11.2 Arbitration.

(a) Claims. Subject to Section 11.3 below, any Dispute that is not resolved under Section 11.1 within thirty (30) days after a Party's initial written request for resolution, shall be resolved by final and binding arbitration before a panel of three neutral experts with relevant industry experience. The arbitration proceeding shall be administered by the International Court of Arbitration of the International Chamber of Commerce (the "***ICC***") in accordance with its then existing arbitration rules or procedures regarding commercial or business disputes, and the panel of arbitrators shall be selected in accordance with such rules. The arbitration and all associated discovery proceedings and communications shall be conducted in English, and the arbitration shall be held in San Francisco, California. Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of arbitration without the prior written consent of both Parties.

(b) Arbitrators' Award. The arbitrators shall, within fifteen (15) days after the conclusion of the arbitration hearing, issue a written award and statement of decision describing the essential findings and conclusions on which the award is based, including the calculation of any damages awarded. The decision or award rendered by the arbitrators shall be final and non-appealable, and judgment may be entered upon it in any court of competent jurisdiction. Either Party may apply for interim injunctive relief with the arbitrators until the arbitration award is rendered or the controversy is otherwise resolved. The arbitrators shall be authorized to award compensatory damages, but shall not be authorized (i) to award non-economic damages, (ii) to award punitive damages or any other damages expressly excluded under this Agreement, or (iii) to reform, modify or materially change this Agreement or any other agreements contemplated hereunder; provided, however, that the damage limitations described in subsections (i) and (ii) of this sentence will not apply if such damages are statutorily imposed.

(c) Costs. Each Party shall bear its own attorneys' fees, costs, and disbursements arising out of the arbitration, and shall pay an equal share of the fees and costs of the arbitrators; provided, however, the arbitrators shall be authorized to determine whether a Party is the prevailing Party, and at their discretion, to award to that prevailing Party reimbursement for its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.), and/or the fees and costs of the ICC and the arbitrators.

11.3 Court Actions. Nothing contained in this Agreement shall deny either Party the right to seek, upon good cause, injunctive or other equitable relief from a court of competent jurisdiction in the context of an emergency or prospective irreparable harm, and such an action may be filed and maintained notwithstanding any ongoing dispute resolution discussions or arbitration proceedings. In addition, either Party may bring an action in any court of competent jurisdiction to resolve disputes pertaining to the validity, construction, scope, enforceability, infringement or other violations of Patents or other intellectual property rights, and no such claim shall be subject to arbitration pursuant to Section 11.2.

12. MISCELLANEOUS

12.1 Governing Law. This Agreement and any disputes, claims, or actions related thereto shall be governed by and construed in accordance with the laws of the State of California, U.S., without regard to the conflicts of law provisions thereof.

12.2 Entire Agreement; Amendment. This Agreement, including the Exhibits hereto, together with the Development Plan, sets forth all of the agreements and understandings between the Parties with respect to the subject matter hereof and thereof, and supersedes and terminates all prior agreements and understandings between the Parties with respect to the subject matter hereof and thereof. There are no other agreements or understandings with respect to the subject matter hereof, either oral or written, between the Parties. Except as expressly set forth in this Agreement, no subsequent amendment, modification or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by the respective authorized officers of the Parties.

12.3 Relationship Between the Parties. The Parties' relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture or similar business relationship between the Parties. Neither Party is a legal representative of the other Party, and neither Party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever.

12.4 Non-Waiver. The failure of a Party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a Party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such Party.

12.5 Assignment. Except as expressly provided hereunder, neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either Party without the prior written consent of the other Party (which consent shall not be unreasonably withheld); provided, however, that either Party may assign this Agreement and its rights and obligations hereunder without the other Party's consent:

(a) in the case of either Party, in connection with the transfer or sale of all or substantially all of the business of such Party to which this Agreement relates to a Third Party, whether by merger, sale of stock, sale of assets or otherwise; provided, however, that in the event of such a transaction (whether this Agreement is actually assigned or is assumed by the acquiring party by operation of law (*e.g.*, in the context of a reverse triangular merger)), intellectual property rights of the acquiring party to such transaction (if other than one of the Parties to this Agreement) (i) existing prior to the transaction, or (ii) developed after the transaction without use of such Party's intellectual property, shall not be included in the technology licensed hereunder or otherwise subject to this Agreement; or

(b) to an Affiliate, provided that the assigning Party shall remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations by such Affiliate.

The rights and obligations of the Parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties, and the name of a Party appearing herein will be deemed to include the name of such Party's successors and permitted assigns to the extent necessary to carry out the intent of this Section 12.5. Any assignment not in accordance with this Agreement shall be void.

12.6 No Third Party Beneficiaries. This Agreement is neither expressly nor impliedly made for the benefit of any party other than those executing it, except as expressly provided with respect to RPCI Licensor.

12.7 Severability. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not affect or impair, in whole or in part, the validity, enforceability or legality of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part. The Parties shall use their commercially reasonable efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) in a way that, to the extent practicable and legally permissible, implements the original intent of the Parties.

12.8 Notices. Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, or by overnight courier or facsimile confirmed thereafter by any of the foregoing, to the Party to be notified at its address(es) given below, or at any address such Party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earliest of: (a) the date of actual receipt; (b) if delivered by overnight courier, the three (3) Business Days after delivery; or (d) if sent by facsimile, upon electronic confirmation of receipt.

if to Tracon:	TRACON Pharmaceuticals, Inc. 8910 University Center Lane Suite 700 San Diego, CA 92122 USA Attention: Chief Business Officer Facsimile No.: +1 858-550-0786
with a copy to:	Cooley LLP 4401 Eastgate Mall San Diego, CA 92121 USA Attention: L. Kay Chandler Facsimile No.: +1 858-550-6420
if to Santen:	Santen Pharmaceutical Co., Ltd. 4-20, Ofuka-cho, Kita-ku Osaka 533-8651 Japan Attention: Head of Global Business Development Facsimile No.: +81-6-6321-7256
with a copy to:	Santen Pharmaceutical Co., Ltd.

4-20, Ofuka-cho, Kita-ku
Osaka 530-8552Japan
Attention: Head of Intellectual Property Group
Facsimile No.: +81-6-6359-3858

12.9 Force Majeure. Each Party shall be excused from liability for the failure or delay in performance of any obligation under this Agreement by reason of any event beyond such Party's reasonable control including but not limited to acts of God, fire, flood, explosion, earthquake, or other natural forces, war, civil unrest, acts of terrorism, accident, destruction or other casualty, or any other event similar to those enumerated above. Such excuse from liability shall be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the Party has not caused such event(s) to occur. Notice of a Party's failure or delay in performance due to force majeure must be given to the other Party within ten (10) days after its occurrence. All delivery dates under this Agreement that have been affected by force majeure shall be tolled for the duration of such force majeure. In no event shall any Party be required to prevent or settle any labor disturbance or dispute.

12.10 No Use of RPCI Licensor Name. Nothing contained in this Agreement shall be construed as granting any right to Santen or any Affiliate or Sublicensee to use in advertising, publicity or other promotional activities any name, trade name, trademark or other designation of RPCI Licensor or any of its affiliates or their respective employees or units (including contraction, abbreviation or simulation of any of the foregoing) without the prior written consent of RPCI Licensor.

12.11 Interpretation. The headings of clauses contained in this Agreement preceding the text of the sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction. All references in this Agreement to the singular shall include the plural where applicable. Unless otherwise specified, references in this Agreement to any Article shall include all Sections, subsections and paragraphs in such Article, references to any Section shall include all subsections and paragraphs in such Section, and references in this Agreement to any subsection shall include all paragraphs in such subsection. The word "including" and similar words means including without limitation. The word "or" means "and/or" unless the context dictates otherwise because the subject of the conjunction are mutually exclusive. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision. All references to days in this Agreement shall mean calendar days, unless otherwise specified. Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist. This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the Parties regarding this Agreement shall be in the English language.

12.12 Counterparts. This Agreement may be executed in counterparts, including by transmission of facsimile or PDF copies of signature pages to the Parties or their representative legal counsel, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties hereto have duly executed this **LICENSE AGREEMENT** as of the Effective Date.

TRACON PHARMACEUTICALS, INC.	**SANTEN PHARMACEUTICAL CO., LTD.**
By: /s/ Charles Theuer	By: /s/ Akira Kurokawa
Name: Charles Theuer	Name: Akira Kurokawa
Title: President and CEO	Title: President and CEO

Exhibit A-1

Patents and Applications […*…]**

[…***…]

Country	Application No.	Filing Date	Publication / Patent No.	Issue Date	Status
[…***…]	[…***…]	[…***…]			[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]			
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]

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Exhibit A-2

Patents and Applications […*…]**

[…***…]

Country	Application No.	Filing Date	Publication / Patent No.	Issue Date	Status
[…***…]	[…***…]	[…***…]			[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]			[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]			[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]

[…***…]	[…***…]	[…***…]			[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]

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Exhibit A-3

Patents and Applications […*…]**

[…***…]

Country	Application No.	Filing Date	Publication / Patent No.	Issue Date	Status
[…***…]	[…***…]	[…***…]	[…***…]		[…***…]
[…***…]	[…***…]	[…***…]			[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]

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Exhibit A-4

Patents and Applications […*…]**

[…***…]

Country	Application No.	Filing Date	Publication / Patent No.	Issue Date	Status
[…***…]	[…***…]	[…***…]			[…***…]
[…***…]	[…***…]	[…***…]			[…***…]

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Exhibit B

Sequence of TRC105

TRC105 […*…]**

[...***…]

Exhibit C

U.S. Commercial Diligence Obligations

Santen shall […***…] according to the timelines as further described below. "***Estimated BLA Filing Date"*** shall mean the anticipated date of the first filing of a BLA for the first Product in the Field in the U.S. and "***Actual BLA Filing Date***" shall mean the date of the first BLA for the first Product in the Field in the U.S. is accepted for filing by the FDA.

[…*…] prior to Estimated BLA Filing Date :**

[…***…]

1. […***…]
2. […***…]
3. […***…]
4. […***…]
5. […***…]

A commercial plan will be completed that outlines the structure and timing of […***…].

As of Actual BLA Filing Date:

[…***…]:

1. […***…]
2. […***…]
3. […***…]
4. […***…]

[…*…] after Actual BLA Filing Date:**

[…***…]:

1. […***…]
2. […***…]
3. […***…]
4. […***…]

Exhibit D

Supply Terms For […***…]

Application to Drug Substance

- Supply terms on this Exhibit D only pertain to supply of TRC105 drug substance (***"Drug Substance"***) for […***…], and do not apply to supply of […***…], or for supply of Drug Substance for […***…]. Santen will be responsible for finding a […***…] manufacturer (but Tracon can assist in this process)

CMC Development Activities and Costs

- Tracon currently has planned a number of development activities that will support continued development of the Drug Substance manufacturing process, including […***…].

· Because these activities will support both the […***…] and […***…] programs, Santen will pay for […***…]% of the costs of the […***…] and […***…] up to a maximum of $[…***…] and […***…]% of the costs of the remaining development activities (Items 2-10 in **Exhibit D-1**) up to a maximum of $[…***…], as long as Tracon continues TRC105 development in […***…]. For clarity, Santen's cost sharing for development activities conducted by Tracon with regard to TRC105 or […***…] version of TRC105 shall be limited up to $[…***…]. Tracon will regularly update the JDC with the status of these development activities, including the budget and request reimbursement from Santen for these costs once Tracon has been billed.

[…*…] Drug Substance Supply Terms**

· Tracon agrees to set aside […***…]L (approx […***…]g) of Drug Substance out of its current batch manufactured by Tracon's contract manufacturer to support Santen for […***…], […***…].

· Any additional request for Drug Substance for development use will be subject to the following notice and forecast provisions:

  - […***…] months of notice required before Drug Substance needed […***…]
  - Santen to provide Tracon a rolling updated forecast of Drug Substance needs every […***…] months at the JDC

· Any additional quantities of Drug Substance requested by Santen and provided through Tracon will be at Cost of Goods plus […***…]%

  - ***"Cost of Goods"*** means the cost of Drug Substance shipped to Santen. As used

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herein, the cost of Drug Substance means (i) in the case of products and services acquired from Third Parties, payments made to such Third Parties, and (ii) in the case of manufacturing services performed by Tracon or its Affiliates, including manufacturing services in support of Third Party manufacturing, the actual unit costs of manufacture, plus the variances and other costs specifically provided for herein. Actual unit costs shall consist of […***…], all calculated in accordance with reasonable cost accounting methods, consistently applied, of Tracon or its Affiliates. […***…] shall include the costs incurred in […***…]. […***…] shall include the cost of […***…]. […***…] shall include a reasonable allocation of […***…] (not previously included in […***…]), a reasonable allocation of […***…], and a reasonable allocation of […***…]. Such allocations shall be in accordance with reasonable cost accounting methods, consistently applied, of the party performing the work.

· Tracon will not be obligated to provide any representations or warranties with respect to supply of Drug Substance manufactured by its contract manufacturer beyond those representations or warranties provided by its contract manufacturer and will be entitled to all disclaimers of warranties, limitations of liability and other limitations on liability applicable to its contract manufacturer with regard to supply of Drug Substance, provided that all such representations and warranties provided by its contract manufacturer are enforceable by Santen or enforced by Tracon for the benefit of Santen.

· Any additional work (development and/or Drug Substance manufacturing) that Santen requests outside of planned […***…] activities (ie, […***…]) will be […***…] funded by […***…].

· Quality agreement between Tracon and Santen to be negotiated and executed between the contract manufacturer, Tracon and Santen prior to […***…].

· If Tracon stops development of […***…], Tracon will have no obligation to continue to supply Drug Substance to Santen but will use commercially reasonable efforts to facilitate Santen obtaining supply of Drug Substance directly from Tracon's contract manufacturer and shall provide to Santen […***…] (i) all inventory of Compound, biological materials, chemical reagents and other materials and (ii) all information, including but not limited to, information relating to Compound or product containing the Compound, which are in the possession or control of Tracon or its Affiliates.

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Drug Substance Supply […*…]**

· Santen may, in its discretion obtain supply of Drug Substance for […***…] and […***…] from a contract manufacturer, and Tracon agrees that Santen may enter into a direct relationship/contract with […***…] for such supply of Drug Substance.

· If Santen does not use […***…] for supply of Drug Substance for […***…] and […***…], Tracon and Santen agree to negotiate in good faith an agreement for the supply of Drug Substance for […***…] and […***…] prior to initiating […

***…].

Other Supply Terms

- Compliance with cGMP, ICH-guidelines etc.
- Delivery terms;
- Quality assurance and acceptance/rejection terms;
- Regulatory;
- Specifications;
- Product liability; and
- Term and termination.

Exhibit D-1

Budgeted CMC Development Activities

Item	Activity	Rationale	Budgeted Cost	Timing
1	[…***…]	[…***…]	[…***…]	[…***…]
2	[…***…]	[…***…]	[…***…]	[…***…]
3	[…***…]	[…***…]	[…***…]	[…***…]
4	[…***…]	[…***…]	[…***…]	[…***…]
5	[…***…]	[…***…]	[…***…]	[…***…]
6	[…***…]	[…***…]	[…***…]	[…***…]
7	[…***…]	[…***…]	[…***…]	[…***…]
8	[…***…]	[…***…]	[…***…]	[…***…]
9	[…***…]	[…***…]	[…***…]	[…***…]
10	[…***…]	[…***…]	[…***…]	[…***…]
		Total Estimated Cost	**$[…***…]**	

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 230.406.**

EXCLUSIVE LICENSE AGREEMENT

This Exclusive License Agreement ("Agreement"), effective as of November 1, 2005 ("Effective Date"), is entered into by and between **Health Research, Inc.**, a New York corporation, with a principal place of business at Elm & Carlton Streets, Buffalo, New York 14263 ("HRI") and **ROSWELL PARK CANCER INSTITUTE** ("Roswell"), with a place of business at Carlton and Elm Streets, Buffalo, New York 14263 (HRI and Roswell are collectively referred to as "Licensor") and **TRaCON Pharmaceuticals, Inc.**, a corporation duly organized and existing under the laws of the State of Delaware with offices at 787 Seventh Avenue, 48th Floor, New York, NY 10036 ("Company").

Licensor has exclusive intellectual property rights to develop and commercialize Anti-Endoglin antibodies to treat or prevent disease ("Technology"), as claimed in Patent Rights (defined below). Company is interested in obtaining such exclusive rights to use, produce, distribute, and market products derived from the Technology, and Licensor is willing to grant such rights so that the Technology may be developed and the benefits enjoyed by the public.

Therefore, in consideration of the premises and promises in this Agreement, the parties agree as follows:

ARTICLE 1 – DEFINITIONS

For the purposes of this Agreement, the following words and phrases shall have the following meanings:

1.1 "Affiliate" means, with respect to any Entity, any Entity that directly or indirectly controls, is controlled by, or is under common Control with such Entity.

1.1.1 "Control" means, for this purpose, direct or indirect control of more than fifty percent (50%) of the voting securities of an Entity or, if such Entity does not have outstanding voting securities, the power to direct or control the affairs of such Entity.

1.1.2 "Entity" means any corporation, association, joint venture, partnership, trust, university, business, individual, government or political subdivision thereof, including an agency, or any other organization with independent legal standing.

1.2 "Field" means all fields of use.

1.3 "Improvement" means any modification of a Licensed Process or Licensed Product or any invention (whether patentable or not), information and data in the Field developed after the date of this Agreement, the manufacture, use, or sale of which would be useful or necessary in the practice of or would infringe upon the Patent Rights.

1.4 "Know-how" means all tangible information (other than that contained in the Patent Rights) whether patentable or not (but which has not been patented) and physical objects related to any Licensed Product, including formulations, biological samples, tissues,

animals, organisms, compounds, intermediates, laboratory notebooks, in vitro, preclinical or clinical design, information or results, other proprietary materials, processes, including manufacturing processes, data, drawings and sketches, designs, testing and test results, regulatory information of a like nature, conceived or developed in the laboratory of Dr. Ben K. Seon, including by those post doctoral candidates working under Dr. Ben K. Seon, at Roswell Park Cancer Institute.

1.5 "Licensed Product(s)" means any product the making, using, selling, offering to sell, or importing of which is covered, in whole or in part, by the Patent Rights.

1.6 "Licensed Process(es)" means any process, use or method the making, using, selling, offering to sell or importing of which is covered, in whole, or in part, by the Patent Rights.

1.7 "Net Sales" means the total gross receipts for sales to end users of Licensed Products or practice of Licensed Processes by or on behalf of Company and any of its Affiliates and Sublicensees, whether invoiced or not, less only the sum of the following:

1.7.1 Usual trade discounts to customers actually taken;

1.7.2 Sales taxes, tariff duties and/or other taxes to the extent separately stated on invoices and paid with reference to such sales;

1.7.3 Amounts allowed or credited on returns or rejections of Licensed Products or Licensed Processes;

1.7.4 Bad debt deductions actually written off during the accounting period following generally accepted accounting principles; and

1.7.5 Out-of-pocket packaging and outbound freight and insurance charges paid with reference to such sales.

If a Licensed Product is sold in the form of a combination product containing one or more products or technologies which are themselves not a Licensed Product ("Combination Product"), the Net Sales for such Combination Product shall be calculated by multiplying the sales price of the Combination Product by the fraction A/(A+B) where A is the invoice price of the Licensed Product or the fair market value of the Licensed Product if sold to an Affiliate, and B is the total invoice price of the other products or technologies or the fair market value of the other products or technologies if purchased from an Affiliate.

1.8 "Patent Rights" means (i) all U.S. and foreign patents and patent applications set forth in Exhibit 1.8 and other intellectual property rights listed on Exhibit 1.8 including continuations, continuations in part, divisionals, reexaminations, extensions, and reissue applications; (ii) any and all US or foreign patents, patent applications, or other rights issuing from, or filed subsequent to the date of this Agreement, based on or claiming priority to the rights listed on Exhibit 1.8, including continuations, continuations in part, divisionals,

reexaminations, extensions, and reissue applications; and (iii) any other intellectual property rights owned or controlled by the Licensor or that Licensor has the right to license to Company relating to the Technology developed at Roswell, all as of the Effective Date. Exhibit 1.8 shall be amended from time to time to reflect the foregoing.

1.9 "Sublicensee" means a third party that has entered into a license agreement with Company to make, have made, use, lease, and/or sell the Licensed Products and to practice and have practiced the Licensed Processes.

1.10 "Territory" means the world.

All Exhibits are incorporated by reference into this Agreement. Any reference to "include" or "including" means "including but not limited to."

ARTICLE 2 – GRANT

2.1 Subject to the terms and conditions of this Agreement, Licensor hereby grants to Company, and Company accepts, (i) an exclusive sublicenseable license under the Patent Rights, and (ii) a non-exclusive sublicenseable license under the Know-how, in the Field in the Territory to develop, make, have made, use, sell, offer to sell, import, export, and lease Licensed Products and perform Licensed Processes ("License").

2.2 Company may grant Sublicenses to third parties under the License in its sole discretion. Upon termination of this Agreement, other than by expiration in accordance with Article 7.6, any and all Sublicenses shall survive such termination, provided, however, Licensor shall not be obligated to incur any obligation to any former Sublicensee of Company not already incurred to Company by Licensor in this Agreement. Notwithstanding the foregoing, if Company believes that Licensor has terminated this Agreement for the primary purpose of doing business directly with any Sublicensee, the termination may be disputed under the provisions of Article 8.

2.3 Unless otherwise prohibited by law or government regulation, Licensor shall provide Company with and give Company access to the following with respect to the Technology to the extent Licensor has such access to such information: (i) copies of all regulatory submissions, (ii) copies of all patient records, (iii) copies of all computer data and reports pertaining to clinical trials, (iv) copies of all adverse event reports, (v) copies of all preclinical evaluations, (vi) any clinical trial material that has not expired, (vii) storage of and access permission to biological samples, (viii) access to physicians, CROs and health care administrators involved in trials; (ix) all drug manufacture files along with the right to use manufacturing process and the manufacturing source, (x) remaining quantities of any API (active pharmaceutical ingredient) intermediates and (xi) all other documents and information that Company may reasonably request regarding clinical trials, including those relating to the filing of an Investigative New Drug Application with the FDA. All costs related to the duplication of such materials will be borne by Company. In addition, Licensor shall cross reference or assign (if necessary) all regulatory filings, at Company's option. From time to time during the term of this Agreement, at the request of Company, Licensor shall execute and deliver to Company such

documents and take such other action as Company may reasonably request to consummate more effectively the transactions contemplated hereby. Licensor shall reasonably cooperate with Company and provide Company with such assistance as reasonably may be requested by Company, including with respect to the transfer of clinical data and filings with the FDA. All such cooperation shall be at the expense of Company. The documents itemized in this Article 2.3 shall be delivered to the Company promptly upon execution of this Agreement.

2.4 Exclusive First Right to Negotiate A License to Improvements and Inventions. Subject to Licensor's obligations to third parties on the date of this Agreement (each of which is disclosed on Disclosure Exhibit 2.4 to this Agreement), Company shall have an exclusive first right to negotiate an exclusive license to any Improvement(s) arising out of, in whole or in part, research of Dr. Ben K. Seon or his associates working in his lab or on his projects at the Licensor, sponsored, in whole or in part, by Company pursuant to the Research Agreement (defined in Article 4.7). Accordingly and subject to the foregoing, Licensor shall disclose each Improvement to Company as contemplated by the Research Agreement, which Company shall keep confidential. If Company requests, Company and Licensor shall negotiate, in good faith, a commercially reasonable exclusive license to Company of such Improvement(s). If Company and Licensor do not enter into a definitive exclusive license within ninety (90) days from the date Company received notice of such Improvement(s) from Licensor, then Company shall have no further right under this Agreement to such Improvement(s). The parties agree that the foregoing will not deprive Company of, or require it to pay any additional amount for, any rights to which it is entitled pursuant to the license grant in Article 2.1.

2.5 Company may, in its discretion and after 60 days' notice, elect to not license one of more of the Patent Rights.

2.6 Notwithstanding the foregoing, Licensor retains the right to use the Patent Rights and Know-how for non-commercial research, teaching, and educational purposes, and Company acknowledges that the U.S. government retains a royalty-free, non-exclusive, non-transferable license to practice any government-funded invention claimed in any Patent Rights as set forth in 35 U.S.C. §§ 201-211, and the regulations promulgated thereunder or any successor statutes or regulations. Each funding agency with respect to the Patent Rights is identified on Disclosure Exhibit 2.6 to this Agreement. Notwithstanding the foregoing, the Licensor agrees not to conduct human clinical trials with any compounds covered by the Patent Rights without the express written permission of Company, unless required by law.

ARTICLE 3 - COMMERCIALIZATION

Company shall, at its expense, use all commercially reasonable efforts to bring a Licensed Product to market through a thorough, vigorous, and diligent program to exploit the Technology as timely and efficiently as possible. Such program shall include the preclinical and clinical development of Licensed Products at the Company's expense including research and development, manufacturing, laboratory and clinical testing, and marketing and sales. Company will use its best efforts to conduct […***…] at […***…] and Company will, in good faith, reasonably consider conducting […***…] at

[…***…]. Company shall continue active, diligent marketing efforts for Licensed Products throughout the term of this Agreement. Company shall have the exclusive right to prepare and present all regulatory filings necessary or appropriate in any country in the Territory to obtain and maintain any regulatory approval required to market any Licensed Product in the Field in any such country. The Company will provide the Licensor written reports on a semi - annual basis detailing its clinical, regulatory, and financial progress. Licensor understands that these reports may contain material non-public information and that to such extent such reports will be considered "Confidential Information" pursuant to Article 15.

ARTICLE 4 - ROYALTIES AND OTHER CONSIDERATION

4.1 Until the last-to-expire Patent Right or until this Agreement shall be terminated as hereinafter provided, Company and its Affiliates and Sublicensees shall, on a calendar quarter basis, pay to Licensor royalties equal to […***…] percent ([…***…]%) of Net Sales. Royalties for a calendar quarter shall be paid within sixty (60) days after the end of each such quarter.

4.2 Intentionally deleted.

4.3 Royalties shall be paid in United States dollars at such place as Licensor may reasonably designate consistent with the laws and regulations controlling in the United States and, if applicable, in any foreign country. Any taxes which Company or its Affiliate or Sublicensee shall be required by law to withhold and pay on remittance of a royalty payment shall be deducted from such payment. Company shall furnish Licensor with the original copies of all official receipts for such taxes. If any currency conversion shall be required in connection with the payment of royalties, such conversion shall be made by using the exchange rate

prevailing at Citibank, N.A. in New York, New York, on the last business day of the calendar quarterly reporting period to which such royalty payments relate and without any deduction of exchange, collection, or other charges.

4.4 As further consideration for the license granted hereunder, Company shall pay to Licensor the following one-time milestone payments which shall not be deducted from or credited against royalties otherwise owed or which may be owed:

4.4.1 $[…***…] upon execution of this Agreement.

4.4.2 […***…] Dollars ($[…***…]) upon […***…];

4.4.3 […***…] Dollars ($[…***…]) upon […***…];

***Confidential Treatment Requested

4.4.4 […***…] Dollars ($[…***…]) upon […***…];

4.4.5 […***…] Dollars ($[…***…]) upon […***…]; and

4.4.6 **[**…***…] Dollars ($[…***…]) upon […***…].

4.5 No payment obligations shall be due with respect to any Net Sales of a Licensed Product in a country if there is no Patent Right underlying such Licensed Product in such country. No more than one royalty shall be paid on any Licensed Product even if it is covered by more than one claim under the Patent Rights.

4.6 To the extent that Company or any Affiliate or Sublicensee is required (i) in its sole discretion after appropriate legal analysis, or (ii) by order or judgment of any court in any jurisdiction, to obtain a license from a third party to practice the rights purported to be granted to Company by Licensor hereunder under Patent Rights in such jurisdiction, then up to […***…] percent ([…***…]%) of the royalties payable under such license in such jurisdiction may be deducted from royalties otherwise payable to Licensor hereunder, provided that in no event shall the aggregate royalties payable to Licensor in such jurisdiction be reduced by more than […***…] percent ([…***…]%) as a result of any such deduction, provided further that any excess deduction remaining as a result of such limitation may be carried forward to subsequent periods.

4.7 Upon […***…] anniversary of […***…], Company shall remit $[…***…] (“Sponsored Research Fee”) to Licensor for specific use of research and development in the lab of Dr. Ben K. Seon pursuant to a sponsored research agreement (the “Research Agreement”, attached hereto as Exhibit A) to be entered into between the parties immediately subsequent to […***…]. The Sponsored Research Fee shall be used in research and development related to potential products that may be useful to Company.

ARTICLE 5 - REPORTS AND RECORDS

5.1 Company shall keep at its principal place of business full, true and accurate books of account and the supporting data containing all particulars that may be necessary for the purpose of showing and confirming the amounts payable to Licensor (“Records”). Licensor or a designated auditor selected by Licensor, except one to whom Company has reasonable objection, may inspect the Records not more than once per year upon reasonable notice for […***…] years following the end of the calendar year to which the Records pertain for the purpose of verifying royalties or compliance in other respects with this Agreement. If an inspection shows an under reporting or underpayment, Company shall promptly pay such amount within thirty (30) days after the date Licensor provides Company

***Confidential Treatment Requested

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notice of the payment due, together with a late charge equal to the amount set forth in Article 5.4 on the unpaid amount until paid in full. If the underpayment was greater than […***…] percent ([…***…]%) or exceeds $[…***…] for any twelve (12)-month period, Company shall also reimburse Licensor for the cost of the inspection within thirty (30) days after receipt of the invoice therefor.

5.2 Within sixty (60) days from the end of each calendar quarter, Company shall deliver to Licensor complete and accurate reports, giving such particulars of the business conducted by Company during such quarter as shall be pertinent to a royalty accounting hereunder. Each annual report shall include relevant information for the most recent calendar quarter and an annual

summary on a Licensed Product/Process-by-Licensed Product/Process and county-by-country basis. Quarterly reports shall include at least the following:

5.2.1 The number of Licensed Products and Licensed Processes used, leased or sold, by or for Company, Affiliates and Sublicensees, and the first commercial sale of a Licensed Product or performance of a Licensed Process in any country shall be reported within sixty (60) days thereof to Licensor;

5.2.2 Total amounts invoiced for Licensed Products and Licensed Processes used, leased or sold, by or for Company, Affiliates and Sublicensees;

5.2.3 Gross receipts and a calculation of Net Sales for the applicable reporting period, including a listing of deductions;

5.2.4 Total royalties due based on Net Sales, together with the exchange rates used for conversion, if any;

5.2.5 Names and addresses of all Sublicensees and Affiliates; and

5.2.6 On an annual basis, Company's year-end financial statements.

5.3 With each such quarterly report submitted, Company shall pay to Licensor the royalties due and payable. If no royalties are due, Company shall not be required to make a report pursuant to this Article 5 but shall send a statement to such effect to Licensor.

5.4 Any amount not paid when due to Licensor shall be subject to a late charge from the due date until paid at the primate rate (as defined in the U.S. Federal Reserve Bulletin H.15 or any successor thereto) on the last business day of the applicable quarter prior to the date on which such payment is due, plus […***…] percent ([…***…]%) per annum. If any such amount is disputed in good faith, Company shall pay all undisputed amounts when due. Any amount which is ultimately determined to be due shall be subject to the late charge from the date such amount was due until it is paid.

5.5 Company shall require Affiliates and Sublicensees to keep comparable records and to submit comparable quarterly and annual reports and shall forward to Licensor a copy of all such reports, together with all other documents received from any Affiliate or Sublicensee as Licensor may reasonably request.

5.6 Licensor shall hold in confidence each report delivered by Company or any Affiliate or Sublicensee pursuant to this Article 5 until that date that is […***…] years subsequent to the termination of this Agreement. Notwithstanding the foregoing, Licensor may disclose any such information required to be disclosed pursuant to any judicial, administrative or governmental subpoena, requirement or order, provided that Licensor takes reasonable steps to provide Company with the opportunity to contest such subpoena, requirement or order. Licensor may also provide such information to any regulatory or other authority to which it is subject, provided, however, it uses its reasonable efforts to (i) ensure such authority keeps such information confidential and (ii) Licensor takes reasonable steps to provide Company with the opportunity to contest such disclosure.

ARTICLE 6 - PATENT PROSECUTION AND MAINTENANCE

6.1 Following the Effective Date, Company shall, at Company's expense, diligently prosecute and maintain the Patent Rights (as the same may be amended or supplemented from time to time after the date hereof), including the filing of patent applications, extensions, continuations, continuations in part, divisionals, re-examinations, or re-issue applications which Company determines may be required to advance the purposes of this Agreement or otherwise to protect the rights and licenses granted hereunder. Company shall keep Licensor reasonably well informed with respect to the status and progress of any such applications, prosecutions and maintenance activities and will consult in good faith with the Licensor and take into account Licensor's comments and requests with respect thereto. Notwithstanding the foregoing, Company shall diligently seek and maintain broad intellectual property protection for the Licensed Products and Licensed Processes to protect Licensor's rights and shall not reduce or narrow the scope of any claim of the Patent Rights without Licensor's prior written consent, which shall not be unreasonably withheld. Both parties shall reasonably cooperate with each other to facilitate the application and prosecution of the Patent Rights pursuant to this Agreement. As of the Effective Date, Licensor has incurred $[…***…] for fees and costs, including attorney's fees, relating to the filing, prosecution and maintenance of the Patent Rights (the "Patent Costs"). Company shall reimburse Licensor for […***…] in two equal payments, one due on the Effective Date and the other on […***…], provided, however, […***…] percent ([…***…]%) of the Patent Costs ($[…***…]) shall be credited against the fee owed to Licensor under Article 4.4.3 and ([…***…]%) of the Patent Costs ($[…***…]) shall be credited against the fee owed to Licensor under Article 4.4.4.

6.2 Subject to Company's obligation to diligently seek and maintain patent protection for a Licensed Products and Licensed Processes, Company may elect to abandon any patent applications or issued patents in the Patent Rights. Following such

abandonment, Licensor shall have the right, but not the obligation, to commence or continue such prosecution and to maintain any such Patent Rights under its own control and at its own expense and Company shall no longer have any rights under or to such abandoned Patent Rights, except for those rights that any third party not a party to this Agreement would have relating to such abandoned Patent Rights. Prior to any such abandonment, Company shall give Licensor at least sixty (60) days' notice and a reasonable opportunity to take over prosecution and maintenance of such Patent Rights. Company agrees to cooperate in such activities including execution of any assignments or other documents necessary to enable Licensor to obtain and retain sole ownership and control of such Patent Rights.

ARTICLE 7 – TERMINATION

7.1 If Company becomes bankrupt, or files a petition in bankruptcy, or if the business of Company is placed in the hands of a receiver, assignee or trustee for the benefit of creditors, whether by the voluntary act or otherwise, this Agreement shall automatically terminate.

7.2 If Company fails to pay Licensor royalties or any other amount due which is not the subject of a bona fide dispute, Licensor shall have the right, upon ninety (90) days' written notice to the Company, to terminate this Agreement, provided, however, subject to Article 8, such termination shall become effective at the expiration of such ninety (90)-day notice period only if the Company shall have failed to pay such royalty or other amount due prior to the expiration of such ninety (90)-day notice period. A bona fide dispute over royalties shall be resolved in accordance with Article 8. If the parties are resolving a dispute according to Article 8, this Agreement shall remain in full force and effect until such dispute is resolved pursuant thereto.

7.3 Upon any material breach or default of this Agreement by Company, other than as set forth in Articles 7.1 and 7.2, Licensor shall have the right, upon ninety (90) days' written notice to the Company, to terminate this Agreement, provided, however, subject to Article 8, such termination shall become effective at the expiration of such ninety (90)-day notice period only if the Company shall have failed to cure such breach or default prior to the expiration of such ninety (90)-day notice period. If the parties are resolving a dispute according to Article 8, this Agreement shall remain in full force and effect until such dispute is resolved pursuant thereto.

7.4 Company shall have the right at any time to terminate this Agreement in whole or as to any portion of the Patent Rights, for any reason or no reason, upon sixty (60) days' written notice to Licensor.

7.5 Upon termination of this Agreement for any reason, nothing herein shall be construed to release either party from any obligation that matured prior to the effective date of such termination, including under Articles 4, 5, 8, 10, 13, and 15. Company, Affiliate, and/or any Sublicensee may, however, after the effective date of such termination and continuing for a period not to exceed twelve (12) months thereafter, complete any Licensed Products in the process of manufacture at the time of such termination and sell them and all completed Licensed Products, provided that Company shall pay or cause to be paid to Licensor the amounts due thereon and shall submit the reports required by Article 5 on such sales.

7.6 If not terminated sooner, this Agreement shall terminate, on a country by country basis, on the date of the last to expire valid claim under the Patent Rights, at which time Company will have an irrevocable, paid up, royalty-free non-exclusive license under the Patent Rights to make, have made, use, have used, import, offer to sell, sell and have sold Licensed Products in each such country.

ARTICLE 8 – DISPUTE RESOLUTION

8.1 Any dispute under Article 7.2 or Article 7.3 which has not been resolved by good faith negotiations between the parties within the ninety (90) days allotted therein shall be resolved pursuant to this Article 8.1 if such dispute substantially relates to an amount of money owed that is less than (i) $[…***…] or (ii) […***…] percent ([…***…]%) of the aggregate disputed payment amount. All other disputes, including other financial disputes, shall be resolved according to Article 8.2 below.

8.1.1 Licensor shall promptly advise Company of such claim, dispute or controversy in a writing which describes in reasonable detail the nature of such dispute. Not later than five (5) business days after Company has received such notice, each party shall select a representative ("Representative"), who shall have the authority to bind such party, and shall advise the other party in writing of the name and title of such Representative. Not later than ten (10) business days after the date of such notice of dispute, Company shall select a mediation firm located in Buffalo, New York, reasonably acceptable to Licensor, and the

Representatives shall meet with such firm for a mediation hearing within thirty (30) days. The parties shall participate in such mediation in good faith and shall share the costs of the mediation firm equally.

8.1.2 If the Representatives have not been able to resolve the dispute within thirty (30) days after such mediation hearing (or in any event within sixty (60) days after they should have appointed their Representatives pursuant to Article 8.1.1), then the parties shall submit to final and binding arbitration in Buffalo, New York, in accordance with the rules of the American Arbitration Association or such other arbitration organization agreed to by the parties. Within ten (10) business days after notice from one party, each party shall select an arbitrator, and if the two selected arbitrators have not agreed within fifteen (15) business days thereafter upon a third neutral arbitrator, the third arbitrator shall be appointed by the rules of the American Arbitration Association. The arbitrators shall have no power to add to, subtract from, or modify any of the terms or conditions of this Agreement. Any award rendered in such arbitration may be enforced in the courts of the State of New York located in Erie County or in the United States District Court for the Western District of New York, to whose exclusive personal jurisdiction for such purposes Licensor and Company each hereby irrevocably consents and submits. The arbitrators shall have no authority to resolve any issue concerning the validity, enforceability, or infringement of any Patent Right, but the arbitrators shall not delay the arbitration proceeding for the purpose of obtaining or permitting either party to obtain judicial resolution of such issues, unless an order staying the arbitration proceeding shall be entered by a court of competent jurisdiction. The costs of the arbitration shall be borne proportionately to the finding of fault as determined by the arbitrators.

8.2 Except as provided in Article 8.1 and except for the right of either party to apply to a court of competent jurisdiction for a temporary restraining order, a preliminary injunction, or other equitable relief to preserve the status quo or prevent irreparable harm, any and all claims, disputes or controversies arising under, out of, or in connection with this Agreement, including any dispute relating to patent validity or infringement, which the parties are unable to resolve within the ninety (90) days described in Article 7.3 shall be mediated in good faith. The party raising such dispute shall promptly notify the other party of the nature of its claim in reasonable detail. The parties shall mediate such dispute in accordance with the

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procedures set forth in Article 8.1.1. If the Representatives have not been able to resolve the dispute within thirty (30) days after such mediation hearing (or in any event within sixty (60) days after they should have appointed their Representatives pursuant to Article 8.1.1), the parties shall have the right to pursue any other remedies legally available to resolve such dispute in a court of law.

8.3 All applicable statutes of limitation and time-based defenses (such as estoppel and laches) shall be tolled while any mediation procedures are pending and during any mediation. The parties shall cooperate in taking any actions necessary to achieve this result.

ARTICLE 9 - INFRINGEMENT AND OTHER ACTIONS

9.1 Company and Licensor shall promptly notify each other promptly after becoming aware of any alleged infringement of the Patent Rights, or any challenge or threatened challenge to the validity, enforceability, or priority of any of the Patent Rights, and provide each other with any available evidence of such infringement, challenge or threatened challenge.

9.2 During the term of this Agreement, to the extent permitted by law for as long as Company is the exclusive licensee of the Patent Rights, Company shall have the right, but not the obligation, to prosecute or defend, at its own expense and using counsel of its choice, any infringement of and/or challenge to the Patent Rights. In furtherance of such right, Company may join Licensor as a party in any such suit (and Licensor will join at Company's request), provided that Company pay all of Licensor's reasonable out-of-pocket expenses if Licensor is requested to join by Company. Before commencing or responding to any such action, Company shall consult with Licensor regarding the advisability of the action. Company shall indemnify and hold Licensor harmless against any costs, expenses (including attorneys' fees, whether incurred as the result of a third party claim or a claim to enforce this provision), or liability that may be found or assessed against Licensor in any such suit other than to the extent resulting from Licensor's gross negligence or willful misconduct. Company may, in its sole discretion, settle or compromise any suit brought in connection with this Agreement, including under Articles 9.2 and 9.3, without the prior consent of Licensor unless such settlement or compromise would adversely affect the validity or enforceability of any Patent Right or would involve any additional obligation of Licensor not already undertaken by Licensor in this Agreement, in which case such settlement or compromise shall require the written consent of Licensor (such consent not to be unreasonably withheld).

9.3 If a claim or suit is asserted or brought against Company alleging that the manufacture or sale of any Licensed Product or Licensed Process by Company, an Affiliate, or any Sublicensee, or the use of such Licensed Product or Licensed Process by any customer, infringes proprietary rights of a third party, Company shall notify Licensor. Company may defend such suit, modify such Licensed Product or Licensed Process to avoid such infringement, and/or settle on terms that it deems advisable, unless such settlement would adversely affect the validity or enforceability of any Patent Right or would involve any additional obligation of Licensor not already undertaken by Licensor in this Agreement, in which case such settlement or compromise will require the written consent of Licensor (such consent not to be unreasonably withheld). If within six (6) months after receiving notice of any alleged infringement, Company shall have been unsuccessful in persuading the alleged infringer to desist, or shall not have

brought and shall not be diligently prosecuting an infringement action, or if Company shall notify Licensor, at any time prior thereto, of its intention not to bring suit against the alleged infringer, then, and in those events only, Licensor shall have the right, but not the obligation, to defend, at its own expense and use counsel of its choice, any such action. The total cost of any such defense action undertaken solely by Licensor after such six-month period […***…], and […***…] any recovery or damages for infringement or otherwise derived therefrom.

9.4 Any recovery of damages in any suit defended or prosecuted by Company shall be applied (i) pro rata, in satisfaction of any unreimbursed expenses and legal fees of the parties relating to the suit; (ii) to ordinary damages, which shall be equal to (a) Company's lost profits, (b) a reasonable royalty on the infringing sales, or (c) whatever measure of damages the court shall have applied to compensate for such lost sales and/or profits, […***…], and Company shall pay to Licensor […***…]; and (iii) the balance shall be divided […***…] percent ([…***…]%) to Company and […***…] percent ([…***…]%) to Licensor. However, notwithstanding the foregoing, if Licensor has defended or prosecuted a suit after the six-month period referred to in Article 9.3, then […***…].

9.5 Company may credit […***…] of any litigation costs incurred by Company in a country in connection with any suit under Articles 9.2 and 9.3, including all amounts paid in judgment or settlement of litigation, against royalties or other fees thereafter payable to Licensor for such country. If […***…] of such litigation costs in a country exceed the royalties payable to Licensor in any year in which such costs are incurred, such amount shall be carried over and credited against royalty payments in future years for such country.

9.6 In any suit to enforce and/or defend the Patent Rights pursuant to this Agreement, the party not in control of such suit shall, at the request and expense of the controlling party, cooperate in all respects and, to the extent possible, have its employees testify when requested and make available relevant records, papers, information, samples, specimens, and the like.

ARTICLE 10 - LIMITATION OF LIABILITY, INDEMNITY, INSURANCE

10.1 EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN ARTICLE 17, LICENSOR MAKES NO REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, AND VALIDITY AND ENFORCEABILITY OF THE PATENT RIGHTS, AND ANY CLAIMS THEREOF, ISSUED OR PENDING, AND THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE. IN NO EVENT SHALL LICENSOR OR COMPANY, OR THEIR TRUSTEES, DIRECTORS, OFFICERS, EMPLOYEES AND AFFILIATES BE LIABLE FOR INCIDENTAL, INDIRECT, PUNITIVE, CONSEQUENTIAL, OR OTHER DAMAGES OF ANY KIND, INCLUDING ECONOMIC

DAMAGES AND INJURY TO PROPERTY AND LOST PROFITS, EXCEPT TO THE EXTENT SUCH DAMAGES, INJURY OR LOSS IS DUE TO THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH PARTY.

10.2 Company shall defend, indemnify, and hold Licensor, its Affiliates, and their respective officers, trustees, employees, and agents ("Indemnified Parties") harmless from and against all liabilities, demands, costs, claims, suits, expenses (including attorneys' fees and expenses, whether incurred as a result of a third party claim or a claim to enforce this provision), and other damages (collectively, "Losses") under any theory of liability to the extent arising out of or resulting from (i) any use of the Patent Rights or Know How or material breach or failure by Company (or any Affiliate or Sublicensee) in the performance or non-performance of Company's obligations or covenants under this Agreement or any Sublicense; (ii) any breach by Company of any representation or warranty hereunder; (iii) the testing, manufacture, marketing, possession, use, sale or other disposition by Company or any Affiliate or Sublicensee of any Licensed Product or Licensed Process or the failure of any of the foregoing (or any contract manufacturer of any of the foregoing) to manufacture such Licensed Product in accordance with GMPs); (iv) FDA enforcement actions, inspections, product recalls or market withdrawals relating to a Licensed Product or Licensed Process to the extent arising out of or resulting from Company's (or any Affiliate's or Sublicensee's) testing, manufacturing, marketing, possession, use, sale or other disposition of any Licensed Product or Licensed Process; (v) any personal or bodily injury, including death, illness, or property damage caused directly or indirectly by Company (or any Affiliate or Sublicensee) and (vi) failure to comply with any law, in each case to the extent such Loss was not the result of Licensor's gross negligence or willful misconduct. Company shall insure that every sublicense shall […***…].

10.3 Indemnitees will provide Company with prompt notice of any claim, suit, action, demand, or judgment for which indemnification is sought. At its expense, Company shall provide attorneys reasonably acceptable to Licensor to defend against any such claim. Indemnitees shall cooperate fully with Company in such defense and will permit Company to conduct and control such defense and the disposition of such claim, suit, or action (including all decisions relative to litigation, appeal, and settlement); provided, however, that any Indemnitee shall have the right to retain its own counsel at the reasonable expense of Company, if, under the standards of professional conduct applicable to Company's counsel without a waiver, representation of such Indemnitee by the counsel retained by Company would be inappropriate (a "Conflict"), provided however, such counsel selected by such Indemnitee shall be reasonably acceptable to the Company (such counsel the "Conflict Counsel") and provided, further, however, that Conflict Counsel's representation of Indemnitee in any matter shall be restricted solely to those issues where there is a Conflict. Conflict Counsel and Company counsel shall communicate with each other in good faith to keep each other fully informed of the status of the proceeding at all stages thereof, and shall each use commercially reasonable efforts to avoid duplicative work in connection therewith, it being understood that expenses incurred by Conflict Counsel for duplicative work shall be deemed "unreasonable expense" under this Article 10.3, and Indemnitee shall be responsible for such expenses. In no event shall the Company be liable for the fees and expenses of more than one Conflict Counsel in connection with any one action or claim or in connection with separate but similar or related actions or claims in the same

jurisdiction arising out of the same general allegations. Indemnitee may not settle any action or claim affected pursuant to this Article 10.3 without the written consent of the Company, such consent not to be unreasonably withheld.

10.4 Company shall maintain in full force and effect with a commercial insurance carrier commercial general liability insurance, having individual and aggregate limits appropriate to the conduct of Company's business, and covering the marketing, sale and distribution of Licensed Products and Licensed Processes and reasonably satisfactory to Licensor. Such insurance (i) shall be issued by an insurer licensed to practice in the State of New York or an insurer pre-approved by Licensor, such approval not to be unreasonably withheld; (ii) shall list Licensor as an additional insured, (iii) shall be endorsed to include product liability coverage, and (iv) shall require thirty (30) days' written notice to be given to Licensor prior to any cancellation or material change thereof. Company shall, upon request, provide Licensor with Certificates of Insurance evidencing compliance with this Article. Company shall continue to maintain such insurance after the expiration or termination of this Agreement during any period in which Company or any Affiliate or Sublicensee continues (a) to make, use, or sell a product that was a Licensed Product under this Agreement or (b) to perform a service that was a Licensed Process under this Agreement, and thereafter for a period of five (5) years.

ARTICLE 11 – ASSIGNMENT

This Agreement and the rights and duties hereunder may not be assigned by either party without first obtaining the written consent of the other, which consent shall not be unreasonably withheld. Any such purported assignment without such written consent shall be null and of no effect. Notwithstanding the foregoing, Company may assign this Agreement without the consent of Licensor (i) to a purchaser, merging or consolidating corporation, or acquiror of substantially all of Company's assets or business and/or pursuant to any reorganization qualifying under section 368 of the Internal Revenue Code of 1986 as amended, as may be in effect at such time, or (ii) to an Affiliate of Company.

ARTICLE 12 – COMPLIANCE WITH LAWS

12.1 Company shall use its commercially reasonably efforts to comply with all commercially material local, state, federal, and international laws and regulations relating to the development, manufacture, use, and sale of Licensed Products and Licensed Processes.

12.2 To the extent commercially feasible and consistent with prevailing business practices, Company shall use its commercially reasonable efforts to mark, and shall cause its Affiliates and Sublicensees to mark, all Licensed Products that are manufactured or sold under this Agreement with the number of each issued patent under the Patent Rights that applies to such Licensed Product.

ARTICLE 13 - USE OF NAMES; NO AGENCY; PUBLICATION

13.1 Nothing contained in this Agreement shall be construed as granting any right to Company or any Affiliate or Sublicensee to use in advertising, publicity, or other

promotional activities any name, trade name, trademark, or other designation of Licensor or any of its Affiliates or their respective employees or units (including contraction, abbreviation or simulation of any of the foregoing) without the prior, written consent of Licensor; provided, however, that Company may use the name of Licensor in various documents used by Company for capital raising and financing without such prior written consent where the use of such names is required by law or regulation.

13.2 Nothing herein shall be deemed to establish a relationship of principal and agent between Licensor and Company, nor any of their agents or employees for any purpose whatsoever.

13.3 If Licensor desires to publish or disclose, by written or other non-oral presentation, Patent Rights, Know-how, or any material information related thereto ("Written Presentation Information"), then Licensor shall notify Company in writing, which may be by facsimile where confirmed by the receiving machine, by first class, certified, or registered mail (return receipt requested), or by email if confirmed by one of the other permitted methods, of its intention at least thirty (30) days before any written or other non-oral publication or disclosure. Licensor shall include with such notice a current draft of such proposed disclosure or abstract. Company may request that Licensor, no later than fourteen (14) days following the receipt of such notice ("Notice Period"), delay such presentation, publication or disclosure of the Written Presentation Information") for up to an additional thirty (30) days to enable Company to file, or have filed on its behalf, a patent application, copyright or other appropriate form of intellectual property protection related to the Written Presentation Information or request that Licensor do so. If Licensor desires to publish or disclose, in an oral presentation to individuals other than Licensor's employees, any Patent Rights, Know-how, or any material information related thereto ("Oral Presentation Information"), Licensor shall give Company not less than ten (10) days' notice by one of the above permitted methods with respect to such proposed oral presentation and shall include a draft or abstract of such Oral Presentation Information. If Company makes a request within such 10-day period for Licensor to modify the Oral Presentation Information so that no Confidential Information of Company is disclosed or so that no information for which Company desires to seek patent protection is disclosed, Licensor will modify such proposed Oral Presentation Information to achieve such purpose. If Licensor does not receive any request from Company to delay or modify a presentation, publication or disclosure (whether written or oral) as described above, Licensor may publish or otherwise disclose such information as proposed.

ARTICLE 14 - NOTICE

Subject to Article 13, any notice or other communication required or permitted to be given pursuant to this Agreement shall be in writing and shall be delivered by hand; sent postage prepaid by first class mail or nationally recognized overnight courier service, or by facsimile if confirmed by another permitted method. Notices are effective upon receipt, and shall be sent to a party at its address below or as otherwise designated by written notice:

Licensor:

Roswell Park Cancer Institute
Elm and Carlton Streets
Buffalo, NY 14263
Attention: General Counsel
Telephone: (716) 845-8717
Facsimile: (716) 845-8057

Company:

TRaCON Pharmaceuticals, Inc.
4510 Executive Drive, Suite 206
San Diego, CA 92121
ph. 858.550.0780 x222
fax 858.550.0786
Attn: President

With a copy to:

Paramount BioSciences, LLC
787 Seventh Avenue
48th Floor
New York, NY 10036
Attn: General Counsel
Tel: 212. 554.4300
Fax: 212.554-4355

ARTICLE 15 - CONFIDENTIALITY

15.1 Any proprietary or confidential information relating to this Agreement collectively constitutes "Confidential Information". Neither party shall use the Confidential Information for any purpose unrelated to this Agreement and will hold it in confidence during the term of this Agreement and for a period of five (5) years after its termination or expiration. However, such undertaking of confidentiality by each party shall not apply to any information or data which:

15.1.1 such party receives at any time from a third-party believed to be lawfully in possession of same and having the right to disclose same;

15.1.2 is, as of the date of this Agreement, in the public domain, or subsequently enters the public domain through no fault of such party;

15.1.3 is independently developed by such party as demonstrated by written evidence without reference to information disclosed to such party by the other party;

15.1.4 is disclosed pursuant to the prior written approval of the other party hereto; or

15.1.5 is required to be disclosed pursuant to law or legal process (including to a governmental authority) provided, in the case of disclosure pursuant to legal process, reasonable notice of the impending disclosure is provided by the disclosing party to the non-disclosing party and the disclosing party reasonably cooperates with the non-disclosing party's efforts to limit such disclosure.

ARTICLE 16 - MISCELLANEOUS PROVISIONS

16.1 This Agreement shall be construed, governed, interpreted and applied in accordance with the laws of the State of New York, without regard to principles of conflicts of laws.

16.2 If this Agreement or any associated transaction is required by the law of any nation to be either approved or registered with any governmental agency, Company shall assume all legal obligations to do so and the costs in connection therewith and shall keep Licensor reasonably informed of such efforts.

16.3 The parties acknowledge that this Agreement, including the Exhibits and documents incorporated by reference, sets forth the entire agreement and understanding of the parties, and supersedes all previous communications, representations or understandings, either oral or written, between the parties, as to its subject matter. It may not be changed except by a written instrument signed by the parties.

16.4 The provisions of this Agreement are severable, and if any provision of this Agreement shall be determined to be invalid or unenforceable under any controlling body of law, such invalidity or unenforceability shall not in any way affect the validity or enforceability of its remaining provisions.

16.5 The failure of either party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other party.

16.6 The headings of the several articles are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

16.7 This Agreement is effective as of the Effective Date after it has been signed below on behalf of each party.

16.8 Each party shall be excused from any breach of this Agreement to the extent such breach is proximately caused by governmental regulation, act of war, strike, act of God, or other similar circumstance normally deemed outside the control of such party.

ARTICLE 17-REPRESENTATIONS AND WARRANTIES AND COVENANTS

17.1 Licensor represents and warrants that:

17.1.1 It has legal power to enter into this Agreement and extend the rights granted to Company in this Agreement, and that Licensor has not made and will not make any commitments to others inconsistent with or in derogation of such rights;

17.1.2 As of the Effective Date, to the knowledge of Roswell's senior executives at the level of Vice President and above and HRI's Director of Operations at Roswell ("Management"), there is no (i) intellectual property right of a third party that would prevent Company from exercising any of the rights granted under this Agreement, or (ii) claim by a third party that the exercise of any of the rights granted under this Agreement would infringe or misappropriate such third party's intellectual property rights;

17.1.3 As of the Effective Date, to the knowledge of Management, there is no claim, pending or threatened, of infringement, interference or invalidity regarding any part or all of the Patent Rights or Know-how or their use;

17.1.4 It believes the U.S. and foreign patents and applications itemized on Exhibit 1.8 set forth all of the patents and patent applications relating to or useful to the Technology in the Field owned by or controlled by Licensor on the Effective Date;

17.1.5 To the knowledge of Management as of the Effective Date, there are no inventors of Patent Rights other than those listed as inventors on the patent filings; and

17.1.6 Licensor has provided Company with copies of representative documents reflecting support or funding for all or part of the research leading to Patent Rights and Know-How as of the Effective Date, and has listed all funding agencies on Exhibit 2.6.

17.2 Licensor covenants that it shall not permit any person to perform any services pursuant to or in connection with a sponsored research agreement contemplated by Article 4.7 until and unless such person has entered into a legally binding agreement with Licensor, (a) agreeing to assign to Licensor all intellectual property rights in and to inventions conceived or reduced to practice by such person (i) during the term of any such sponsored research agreement, and/or (ii) during the term of any engagement of such person by Licensor (whether as officer, employee, student, consultant, volunteer or otherwise) and pertaining to the Patent Rights or Know-how; (b) agreeing to be bound by the provisions of Articles 13 and 15 of this Agreement; and (c) agreeing to cooperate, at Company's expense, in Company's execution of its rights and duties pursuant to Article 6 of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in triplicate by their duly authorized representatives.

TRACON PHARMACEUTICALS, INC.		**ROSWELL PARK CANCER INSTITUTE**	
By:	/s/ J. Jay Lobell	By:	/s/ Michael B. Sexton
Name:	J. Jay Lobell	Name:	Michael B. Sexton
Title:	Chairman of the Board	Title:	Secretary
Date:	11-8-05	Date:	11-1-05

HEALTH RESEARCH, INC.

By:	/s/ Joseph H. Jurkowski
Name:	Joseph H. Jurkowski
Title:	Director of Operations
Date:	11-1-05

[*EXECUTION PAGE TO THE EXCLUSIVE LICENSE AGREEMENT DATED AS OF NOVEMBER 1, 2005]*

EXHIBIT 1.8

Patent Rights

[…***…]

***Confidential Treatment Requested

EXHIBIT 2.4

Disclosure Exhibit 2.4

Licensor Obligations To Certain Third Parties

None.

EXHIBIT 2.6

Disclosure Exhibit 2.6

Government Funding Support For Inventions

[…***…]

***Confidential Treatment Requested

EXHIBIT A

Sponsored Research Agreement

Health Research, Inc.
Roswell Park Division

This Sponsored Research Agreement is entered into this ____ day of _____, 200__, between Health Research, Inc., Roswell Park Division ("Roswell"), and TRaCON Pharmaceuticals, Inc., with an office at 787 Seventh Avenue, 48th Floor, New York, NY 10036 ("Sponsor"), and Dr. Ben K. Seon, a Principal Investigator at Roswell ("Principal Investigator").

The parties desire to support a research program which is of mutual interest and benefit to Roswell and to Sponsor and will further the mission and research objectives of Roswell in a manner consistent with its status as a non-profit, tax-exempt institution. Therefore, in consideration of the premises and promises in this Agreement, and in conjunction with and pursuant to the Exclusive License Agreement between Roswell and Sponsor effective as of November 1, 2005 ("Exclusive License Agreement"), the parties agree as follows:

1. STATEMENT OF WORK. Roswell shall use its good faith reasonable efforts to perform the research program involving […***…] which is further described in Exhibit A ("Research").

2. PRINCIPAL INVESTIGATOR. The Research will be supervised by Principal Investigator. If, for any reason, s(he) is unable to continue to serve as Principal Investigator , and a successor acceptable to both Roswell and Sponsor is not available, this Agreement shall be terminated as provided in Article 6.

3. TECHNICAL REPRESENTATIVES. Sponsor's technical representative shall be Dr. Jeffrey Serbin, who shall have reasonable access to the PI regarding the Research. Access to work carried on at Roswell's facilities in the course of the Research shall be entirely under Roswell's control, and Sponsor's technical representatives shall be permitted to visit such facilities during reasonable times mutually agreeable to the parties.

4. TECHNICAL REPORTS. Subject to the preservation of intellectual property rights as contemplated by this Agreement, Principal Investigator shall make up to four (4) written or oral reports to Sponsor each year if requested by Sponsor and a final report to Sponsor within 90 days after the end of the Research or this Agreement.

5. PAYMENT OF COSTS. Sponsor will pay Roswell a yearly sum of $[…***…] for all direct and indirect costs incurred in the performance of the Research. Sponsor shall pay Roswell in U.S. dollars in accordance with the terms set forth in Exhibit B, with the first year's payment due within ten (10 days after the execution of this Agreement. A final financial accounting or all costs incurred and all funds received by Roswell together with a check for the amount of the

unexpended balance, if any, shall be submitted to Sponsor within ninety (90) days following the completion of the project.

6. TERM; TERMINATION. The Research shall be conducted during the period from the […***…] through the date that is the fifth anniversary of the Exclusive License Agreement, provided, however, this Agreement may be terminated at any time by Sponsor upon sixty (60) days' written notice. Performance may be terminated by Roswell if circumstances beyond its control preclude continuation of the Research. Upon termination, Roswell will be reimbursed as specified in Article 5 for all costs and non-cancelable commitments incurred in the performance of the Research, but such reimbursement will not exceed the total estimated project cost specified in Article 5 and Exhibit B.

7. PUBLICATIONS. Publication and confidentiality of any information relating to the Research shall be governed by Articles 13 and 15 of the Exclusive License Agreement.

8. INTELLECTUAL PROPERTY.

A. Subject to the Exclusive License Agreement, title to any invention conceived or first reduced to practice in the performance of the Research program shall remain with Roswell.

B. Subject to the terms of the Exclusive License Agreement, title to and the right to determine the disposition of any copyrights or copyrightable material (including without limitation computer software and its documentation) produced, composed, developed or delivered by Roswell in the performance of or in connection with the Research shall remain with Roswell. Roswell shall grant to Sponsor the first right to negotiate the exclusive right and license to use, reproduce, display, distribute, and perform all such copyrightable materials, computer software and its documentation of the same scope and exclusivity as the license and other rights granted by Roswell to Sponsor in the Exclusive License Agreement under its Patent Rights and Know-How rights and with respect to Improvements. Computer software and other copyrightable materials for which a patent application may be or is filed shall be subject to these same principles.

C. If Roswell elects to establish property rights other than patents, copyrights or know-how rights to any tangible research property (TRP), e.g., biological materials, developed by Roswell during the course of the Research, Roswell shall grant to Sponsor the first right to negotiate a right and license to under such property rights to make, have made, use, sell, offer to sell, import and otherwise exploit and license such tangible research property of the same scope and exclusivity as the license granted by Roswell to Sponsor in the Exclusive License Agreement under its Patent Rights and Know-How rights and with respect to Improvements.

9. USE OF NAMES. Except as provided in Article 13 of the Exclusive License Agreement, neither party will use the name of the other in any advertising or other form of publicity without the written permission of the other; in the case of Roswell, that of the Director of the News Office.

10. NOTICES. Any notices required to be given or which shall be given under this Agreement shall be in writing delivered by first class mail (air mail if not domestic) addressed to the parties as follows:

ROSWELL PARK CANCER INSTITUTE and DR. SEON	SPONSOR
Roswell Park Cancer Institute Elm and Carlton Streets Buffalo, NY 14263 Attention: General Counsel Telephone: (716) 845-8717 Facsimile: (716) 845-8057	TRaCON Pharmaceuticals, Inc. 4510 Executive Drive, Suite 206 San Diego, CA 92121 Telephone: 858.550.0780 x222 Facsimile: 858.550.0786 Attn: President With a copy to: Paramount BioSciences, LLC 787 Seventh Avenue 48th Floor New York, NY 10036 Attn: General Counsel Tel: 212.554.4345 Fax: 212.554.4355

If notices, statements, and payments required under this Agreement are sent by certified or registered mail by one party to the other party at its above address, they shall be deemed to have been given or made three (3) business days after the date so mailed, otherwise as of the date received.

11. ASSIGNMENT. This Agreement and the rights and duties hereunder may not be assigned by any party without first obtaining the written consent of the other, which consent shall not be unreasonably withheld. Any such purported assignment without such written consent shall be null and of no effect. Notwithstanding the foregoing, Sponsor may assign this Agreement without the consent of Roswell (i) to a purchaser, merging or consolidating corporation, or acquiror of substantially all of Sponsor's assets or business and/or pursuant to any reorganization qualifying under section 368 of the Internal Revenue Code of 1986 as amended, as may be in effect at such time, or (ii) to an affiliate of Sponsor.

12. GOVERNING LAW. The validity and interpretation of this Agreement and the legal relation of the parties to it shall be governed by the laws of the State of New York and the United States.

13. GOVERNING LANGUAGE. If a translation of this Agreement is prepared and signed by the parties for the convenience of Sponsor, this English language version shall be the official version and shall govern if there is a conflict between the two.

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14. EXPORT CONTROLS. It is understood that Roswell is subject to United States laws and regulations controlling the export of technical data, computer software, laboratory prototypes, and other commodities, and that its obligations hereunder are contingent on compliance with applicable U.S. export laws and regulations (including the Arms Export Control Act as amended, and the Export Administration Act of 1979). The transfer of certain technical data and commodities may require a license from the cognizant agency of the United States Government and/or written assurances by Sponsor that Sponsor will not re-export data or commodities to certain foreign countries without prior approval of the cognizant government agency. While Roswell agrees to cooperate in securing any license which the cognizant agency deems necessary in connection with this Agreement, Roswell cannot guarantee that such licenses will be granted.

15. FORCE MAJEURE. Roswell shall not be responsible to Sponsor for failure, to perform any of the obligations imposed by this Agreement, provided such failure shall be occasioned by fire, flood, explosion, lightning, windstorm, earthquake, subsidence of soil, failure or destruction, in whole or in part, of machinery or equipment or failure of supply of materials, discontinuity in the supply of power, governmental interference, civil commotion, riot, war, strikes, labor disturbance. transportation difficulties, labor shortage, or any cause beyond the reasonable control of Roswell

16. ENTIRE AGREEMENT. Unless otherwise specified, this Agreement and the Exclusive License Agreement embody the entire understanding between Roswell and Sponsor for this project, and any prior or contemporaneous representations, either oral or written, are hereby superseded. No amendments or changes to this Agreement, including without limitation, changes in the statement of work, total estimated cost, and period of performance, shall be effective unless made in writing and signed by authorized representatives of the parties. Notwithstanding the foregoing, in the event of any conflict between the terms and conditions of this Agreement and the terms and conditions of the Exclusive License Agreement, the terms and conditions of the Exclusive License Agreement shall control.

17. COMPLIANCE BY RESEARCHERS. Roswell and Principal Investigator individually covenant that each of them will not permit any person (including Principal Investigator) to perform any services pursuant to or in connection with the Research or this Agreement until and unless such person has entered into a legally binding agreement with Roswell, substantially in the form of Exhibit C to this Agreement, (a) agreeing to assign to Roswell all intellectual property rights in and to inventions conceived or reduced to practice by such person (i) during the term of the Research or this Agreement and/or (ii) during the term of any engagement of such person Roswell (whether as officer, employee, student, consultant, volunteer or otherwise) and in any way arising from or pertaining to the Patent Rights or Know-how under the Exclusive License Agreement; (b) agreeing to be bound by the provisions of this Agreement, including without limitation Articles 7 and 9; and (c) agreeing to cooperate, at Company expense, in Company's execution of its rights and duties pursuant to Article 6 of the Exclusive License Agreement.

In witness whereof, the parties have signed this Agreement.

HEALTH RESEARCH, INC. ROSWELL PARK DIVISION		TRACON PHARMACEUTICALS, INC.	
By	/s/ Joseph H. Jurkowski	By	/s/ Bertrand C. Liang
Title	Director of Operations	Title	
Date	11/1/05	Date	

DR. BEN K. SEON

/s/ Ben K. Seon

Date 11/01/2005

EXHIBIT A

Scope of Research

This research is the study of […***…] in the laboratory of Dr. Ben K. Seon at Rowell Park Cancer Institute. Such study is intended to […***…], and is expected to lead to […***…].

***Confidential Treatment Requested

EXHIBIT B

Payment Terms

I. INFORMATION FOR WIRE TRANSFERS TO HEALTH RESEARCH

Bank Name:

Bank Address:

Bank Phone Number:

Bank SWIFT Code:

Bank ABA Number:

HRI Account Number:

HRI Account Type:

All deposits should be identified with the name of Dr. Ben K. Seon. Amounts deposited for the purposes of this Agreement will be separated for use in the scope of research identified in Exhibit A of this Agreement.

EXHIBIT C

Roswell Invention Assignment Agreement

ROSWELL PARK CANCER INSTITUTE CORPORATION (RPCIC) AND HEALTH RESEARCH, INC. (HRI)

PATENT AND TECHNOLOGY TRANSFER AGREEMENT FOR EMPLOYEES

In consideration of my employment and/or continued employment by RPCIC/HRI, and/or any successor or subsidiary organizations in which RPCIC/HRI may participate as owners, participants or holders of equity interests, I, the undersigned, hereby agree as follows:

1. All inventions, discoveries, technologies and ideas and improvements thereto (hereafter referred to as inventions), whether patentable or not, relating to the activities and programs of RPCIC/HRI and derived from my participation therein, which I in whole or in part, individually or with others, have conceived or made or may hereafter conceive or make during or as a consequence of my employment by RPCIC/HRI or within one (1) year thereafter, together with all patent rights for said inventions, shall be the sole property of RPCIC/HRI and I shall promptly disclose to RPCIC/HRI the existence and nature of said inventions and assign to RPCIC/HRI my entire right, title and interest in said inventions.

2. I will promptly, fully and without reservation execute, acknowledge and deliver to RPCIC/HRI or to any patent management organization or other properly constituted authority designated by RPCIC/HRI any instruments, including but not limited to patent applications and assignments of rights to patents, as may be necessary or required by RPCIC/HRI to effectuate this agreement. I recognize RPCIC/HRI's complete and sole responsibility and authority to administer any invention or technology developed by me at its discretion.

3. I hereby acknowledge the receipt of a copy of the RPCIC/HRI Guide to Technology Transfer and my reading thereof. I agree to conform with and adhere to both the letter and the spirit of such policy as the same may from time to time be amended.

4. I agree not to publish or disclose or authorize anyone else to publish or disclose any secret or confidential matter relating to any aspect of the business or activities of RPCIC/HRI with which my service in any way acquaints me except as may be properly required in the conduct of the business of RPCIC/HRI or as may be authorized by RPCIC/HRI in writing.

5. I understand and agree that on behalf of RPCIC, the President & CEO of RPCIC, as appropriate, acting by and through such officers or employees as they may from time to time designate, will determine matters of patent and technology transfer policy which will affect my participation in the benefits and proceeds of commercial exploitation of inventions covered by this agreement.

6. I will not advise, organize, invest in, acquire any interest in, take part in the management of, accept employment in, or enter into contractual relationship, as a consultant or otherwise, with any organization, business, corporation, partnership or enterprise engaged in or established for the purpose of commercially exploiting an invention without the specific approval in writing of the President & CEO or RPCIC; and I will promptly and fully disclose to the President & CEO of RPCIC or his designated representative(s) any offers of such interests, participations, employments or contractual relationships as soon as I become aware of them.

7. Upon termination of my employment for an reason, or at any time at RPCIC/HRI's request, I shall deliver to RPCIC/HRI, all instruments, tools, devices, compositions of matter, micro-organisms, cells, parts and products thereof, cell lines and progeny and products thereof, made, obtained, used

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developed, or isolated by me, alone or with others during the term of my employment, as well as keys, materials, documents, plans, records, notebooks, drawings or papers, and any copies thereof, in any way relating to the business or activities of RPCIC/HRI which may be in my possession or under my control.

8. The only inventions which shall be excluded from the scope of this agreement shall be those, if any, whether patented or not, which I represent as having been conceived prior to and outside the scope of this agreement. Such inventions are listed on the attached schedule. I understand that the absence of any invention from the attached schedule shall constitute a waiver of all right, title and interest in that invention or its subsequent development by RPCIC/HRI.

   (Attach Schedule of Prior Inventions per Article #8 above)

Date _____ Signature _____

AMENDMENT No.1 to LICENSE AGREEMENT

Amendment No.1 made and effective as of November 12, 2009 to the License Agreement dated November 1, 2005 entered into by and between Health Research, Inc., a New York corporation, with a principal place of business at Elm & Carlton Streets, Buffalo, New York 14263 ("HRI") and **ROSWELL PARK CANCER INSTITUTE** ("Roswell"), with a place of business at Carlton and Elm Streets, Buffalo, New York 14263 (HRI and Roswell are collectively referred to as "Licensor") and TRACON Pharmaceuticals, Inc., a corporation duly organized and existing under the laws of the State of Delaware with offices at 4500 Executive Drive, Suite 330, San Diego, California 92121 ("Company").

WITNESSETH:

WHEREAS, Company and Licensor executed a License Agreement dated November 1, 2005 ("License Agreement") pursuant to which Company is developing one or more Licensed Products;

WHEREAS, the parties now desire to amend the License Agreement in certain respects on the terms and conditions set forth below.

NOW THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth below, the parties amend the Agreement and otherwise agree as follows:

1. Unless otherwise set forth in this Amendment No.1, each capitalized term and abbreviation has the meaning set forth in the License Agreement.

2. Amendments

A. In Section 1.8 of the License Agreement, the following text shall be inserted after the final sentence of such section:

"Except as otherwise provided for in this Agreement, Patent Rights shall further include HA Patent Rights"

B. New Section 1.11 shall be inserted after the final sentence of Section 1.10 in the License Agreement as follows:

"1.11 "HA Patent Rights" means (i) all U.S. and foreign patents and patent applications set forth in Exhibit 1.11 and other intellectual property rights listed on Exhibit 1.11 including continuations, continuations in part (but only with respect to subject matter disclosed in the parent case), divisionals, reexaminations, extensions, and reissue applications; and (ii) any and all US or foreign patents, patent applications, or other rights issuing from, or filed subsequent to the date of this Agreement, based on or claiming priority to the rights listed on Exhibit 1.11, including continuations,

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continuations in part (but only with respect to subject matter disclosed in the parent case), divisionals, reexaminations, extensions, and reissue applications. Exhibit 1.11 shall be amended from time to time to reflect the foregoing."

C. In Section 4.1 of the License Agreement, the following text shall be inserted after the final sentence in such section:

"Notwithstanding anything to the contrary herein, with respect to Licensed Products covered only by one or more claims of the HA Patent Rights, Company and its Affiliates and Sublicensees shall, on a calendar quarter basis, pay to Licensor royalties equal to […***…] percent ([…***…]%) of Net Sales"

D. In Section 4.5 of the License Agreement, the following text shall be inserted after the final sentence in such section:

"For the avoidance of doubt, in the case of Licensed Products covered by one or more claims of the Patent Rights (whether or not covered by one or more claims of the HA Patent Rights), Company shall pay to Licensor royalties no greater than […***…] percent ([…***…]%) of Net Sales. In the case of Licensed Products covered only by one or more claims of the HA Patent Rights, Company shall pay to Licensor royalties no greater than […***…] percent ([…***…]%) of Net Sales."

E. In Section 4.7 of the License Agreement, the following text shall be inserted after the final sentence in such section:

"Notwithstanding the terms of this Agreement (or this Section 4.7) or the Sponsored Research Agreement entered into by and between Company and Licensor on January 29, 2008, the HA Patent Rights shall not extend the term of this Agreement or the Sponsored Research Agreement with respect to payment of the Sponsored Research Fee."

3. Milestones relating to Licensed Products Covered by HA Patent Rights.

Company shall pay to Licensor the following payments which shall not be deducted from or credited against royalties otherwise owed or which may be owed under the License Agreement:

(a) if […***…], Company shall pay Licensor […***…] dollars ($[…***…]) upon […***…], in addition to the […***…] dollar ($[…***…]) payment that is due under section 4.4.2 of the License Agreement for […***…].

(b) if […***…]

***Confidential Treatment Requested

[…***…], Company shall pay Licensor […***…] dollars ($[…***…]) upon […***…] in addition to the […***…] dollar ($[…***…]) payment that is due under section 4.4.3 of the License Agreement for […***…].

(c) if […***…], Company shall pay Licensor […***…] dollars ($[…***…]) upon […***…] in addition to the […***…] dollar ($[…***…]) payment that is due under section 4.4.4 of the License Agreement for […***…].

(d) if […***…], Company shall pay Licensor […***…] dollars ($[…***…]) upon […***…], in addition to the […***…] dollar ($[…***…]) payment that is due under section 4.4.5 of the License Agreement for […***…].

(e) if […***…], Company shall pay Licensor […***…] dollars ($[…***…]) upon […***…], in addition to the […***…] dollar ($[…***…]) payment that is due under section 4.4.6 of the License Agreement for […***…].

4. Representations and Warranties.

(a) Each party hereby represents and warrants to the other party as follows:

i) This Amendment has been duly executed and delivered on behalf of such party, and constitutes a legal, valid, binding obligation, enforceable against such party in accordance with its terms.

ii) All necessary consents, approvals and authorizations of all governmental authorities and other entities required to be obtained by such party in connection with this Amendment have been obtained.

(b) Licensor hereby represents and warrants to Company as follows:

***Confidential Treatment Requested

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i) The License Agreement is in full force and effect in accordance with its terms. After giving effect to this Amendment, there exist no known breaches, defaults or events which would (with the giving of notice, the passage of time or both) give rise to a breach, default or other right to terminate or modify the License Agreement.

5. Except as expressly modified by this Amendment No.1, all of the terms and conditions of the License Agreement shall continue in effect.

IN WITNESS WHEREOF, Company and Licensor, intending to be bound, have executed this Amendment No.1 by their duly authorized representatives, and this Amendment No.1 shall be part of the License Agreement between the parties as of the date first written above. This Amendment may be executed in counterparts, each of which shall be deemed to be an original and together shall be deemed to be one and the same agreement.

TRACON PHARMACEUTICALS, INC.

By: /s/ Charles Theuer

Name: Charles Theuer

Title CEO

Date: 20 Nov 2009

ROSWELL PARK CANCER INSTITUTE

By: /s/ Michael B. Sexton, Esq.

Name: Michael B. Sexton, Esq.

Title: Chief Institute Operations Officer/Secretary

Date: 11/16/09

HEALTH RESEARCH, INC.

By: /s/ Joseph H. Jurkowski

Name: Joseph H. Jurkowski

Title: Director of Operations

Date: 11/17/09

Exhibit 1.11

[…***…]

[…***…]

***Confidential Treatment Requested

AMENDMENT No.2 to LICENSE AGREEMENT

Amendment No.2 made and effective as of February 11, 2010, to the License Agreement dated November 1, 2005 entered into by and between Health Research, Inc., a New York corporation, with a principal place of business at Elm & Carlton Streets, Buffalo, New York 14263 ("HRI") and ROSWELL PARK CANCER INSTITUTE ("Roswell"), with a place of business at Carlton and Elm Streets, Buffalo, New York 14263 (HRI and Roswell are collectively referred to as "Licensor") and TRACON Pharmaceuticals, Inc., a corporation duly organized and existing under the laws of the State of Delaware with offices at 4500 Executive Drive, Suite 330, San Diego, California 92121 ("Company").

WITNESSETH:

WHEREAS, Company and Licensor executed a License Agreement dated November 1, 2005 ("License Agreement") pursuant to which Company and Licensor are developing one or more Licensed Products;

WHEREAS, the parties executed Amendment No. 1 to the License Agreement dated November 12, 2009;

WHEREAS, the parties now desire to further amend the License Agreement in certain respects on the terms and conditions set forth below.

NOW THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth below, the parties amend the Agreement and otherwise agree as follows:

1. Unless otherwise set forth in this Amendment No.1, each capitalized term and abbreviation has the meaning set forth in the License Agreement.

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2. Amendments

A New Section 15.2 shall be inserted after the final sentence of Section 15.1.5 in the License Agreement as follows:

15.2 Subject to the terms of this Section 15.2, Company shall be permitted to disclose Confidential Information to the third parties listed on Exhibit A attached hereto (hereinafter "Recipients"), as Company considers reasonably necessary for purposes of soliciting or obtaining investments from such Recipients in furtherance of developing and commercializing Licensed Products and/or for purposes of discussing the potential sale or acquisition of Company's assets to such Recipients (the "Purposes"). Company shall ensure that all such Recipients are bound by a written confidentiality agreement limiting the use of Confidential Information to the Purposes. The confidentiality agreements will contain a term of confidentiality no less than five years from the effective date of the subject written confidentiality agreement. Nothing in the foregoing shall be construed to prevent Recipients from disclosing or using information which: (a) Recipient can demonstrate by competent evidence was in Recipient's possession or control prior to the date of disclosure; (b) Recipient can demonstrate was in the public domain or enters into the public domain through no improper act on the part of Recipient or its officers, employees, agents, affiliates and consultants; (c) Recipient can demonstrate by competent evidence is or was developed independent of the information derived from the Confidential Information; (d) Recipient is required to disclose by legal, administrative or judicial process, provided however, that Recipient shall give prompt notice of such request to Company so that Company may seek an appropriate protective order, and if Company is unable to secure a protective order, Recipient shall use reasonable efforts to disclose only those portions

of Confidential Information reasonably necessary to comply with such process; and (f) Recipient receives from third parties having a right to possess and disclose such information.

Company shall provide notice to Licensor within thirty (30) days of

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Company's disclosure of Confidential Information to a Recipient. Company shall immediately notify Licensor upon learning of any misuse or misappropriation of Confidential Information by such Recipient.

B. New Section 15.1 shall be inserted after the final sentence of new Section 15.2 in the License Agreement as follows:

15.2 Company hereby assumes any and all liability resulting from its disclosure of Confidential Information under this Article 15. Company shall promptly notify Licensor upon learning of any unauthorized use or disclosure of Confidential Information and will use its best efforts to minimize damages resulting therefrom.

3. Representations and Warranties.

(a) Each party hereby represents and warrants to the other party as follows:

i) This Amendment has been duly executed and delivered on behalf of such party, and constitutes a legal, valid, binding obligation, enforceable against such party in accordance with its terms.

ii) All necessary consents, approvals and authorizations of all governmental authorities and other entities required to be obtained by such party in connection with this Amendment have been obtained.

(b) Licensor hereby represents and warrants to Company as follows:

i) The License Agreement is in full force and effect in accordance with its terms. After giving effect to this Amendment, there exist no known breaches, defaults or events which would (with the giving of notice, the passage of time or both) give rise to a breach, default or other right to terminate or modify the License Agreement.

4. Except as expressly modified by this Amendment No.2, all of the terms and conditions of the License Agreement shall continue in effect.

IN WITNESS WHEREOF, Company and Licensor, intending to be bound, have executed this Amendment No.2 by their duly authorized representatives, and this Amendment No.2 shall be part of the License Agreement between the parties as of the date first written above. This Amendment may be executed in counterparts, each of which shall be deemed to be an original and together shall be deemed to be one and the same agreement.

TRACON PHARMACEUTICALS, INC.

By: /s/ Charles Theuer

Name: Charles Theuer

Title: CEO

Date: 23 Feb 2010

ROSWELL PARK CANCER INSTITUTE

By: /s/ Michael B. Sexton, Esq.

Name: Michael B. Sexton, Esq.

Title: Chief Institute Operations Officer/Secretary

Date: 2/11/10

HEALTH RESEARCH, INC.

By: /s/ John Blandino

Name: John Blandino

Title: Director of Operations

Date: 2/17/10

APPENDIX A

[…***…]

***Confidential Treatment Requested

AMENDMENT NO. 3 TO LICENSE AGREEMENT

THIS AMENDMENT NO. 3 (***"Amendment No. 3"***) is made and entered into as of September 18, 2014 (***"Amendment Effective Date"***) by and between **HEALTH RESEARCH, INC.**, a New York corporation, with a principal place of business at Elm & Carlton Streets, Buffalo, New York 14263 (***"HRI"***) and **ROSWELL PARK CANCER INSTITUTE**, with a principal place of business at Elm & Carlton Streets, Buffalo, New York 14263 (***"Roswell"***) (HRI and Roswell are collectively referred to as ***"Licensor"***) and **TRACON PHARMACEUTICALS, INC.**, a Delaware corporation, with offices at 4500 Executive Drive, Suite 300, San Diego, California 92121 (***"Company"***).

WITNESSETH:

WHEREAS, Company and Licensor executed a License Agreement dated November 1, 2005 (as amended, the ***"License Agreement"***);

WHEREAS, the parties executed Amendment No. 1 to the License Agreement, dated November 12, 2009 (***"Amendment No. 1"***), and Amendment No. 2 to the License Agreement, dated February 11, 2010; and

WHEREAS, the parties now desire to further amend the License Agreement in certain respects on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth below, the parties amend the License Agreement and otherwise agree as follows:

1. **Definitions.** Unless otherwise set forth in this Amendment No. 3, each capitalized term and abbreviation has the meaning set forth in the License Agreement.

2. **Sublicenses.** Section 2.2 of the License Agreement is hereby deleted and replaced by the following:

"**2.2** Company may grant sublicenses to third parties under the License in its sole discretion, which sublicenses shall permit the further grant of sublicenses. Upon termination of this Agreement, other than by expiration in accordance with Article 7.6, any and all sublicenses shall survive such termination, provided however, Licensor shall not be obligated to incur any obligation to any former Sublicensee not already incurred to Company by Licensor in this Agreement. Notwithstanding the foregoing, if Company believes that Licensor has terminated this Agreement for the primary purpose of doing business directly with any Sublicensee, the termination may be disputed under the provisions of Article 8."

3. Net Sales. The first sentence of Section 1.7 of the License Agreement is hereby deleted and replaced by the following:

""Net Sales" means the total gross receipts for sales to end users of Licensed Products or practice of Licensed Processes by or on behalf Company and any of its Affiliates, Sublicensees, or Sublicensees' Sublicensees, whether invoiced or not, less only the sum of the following:"

4. Sublicensee. Section 1.9 is hereby deleted and replaced by the following:

""Sublicensee" means a third party that has entered into an agreement with Company or its Affiliate, or with a third party to which Company has sublicensed its rights under this Agreement as permitted under Section 2.2 or such third party's affiliate, granting the right to make, have made, use, lease and/or sell the Licensed Products and/or to practice and have practiced the Licensed Processes."

5. **Exhibits.**

(a) Exhibit 1.8 to the License Agreement is hereby deleted and replaced by Exhibit 1.8 to this Amendment No. 3.

(b) Exhibit 1.11 to Amendment No. 1 is hereby deleted and replaced by Exhibit 1.11 to this Amendment No. 3.

6. **Representations and Warranties.**

(a) Each party hereby represents and warrants to the other party as follows:

(i) This Amendment No. 3 has been duly executed and delivered on behalf of such party, and constitutes a legal, valid, binding obligation, enforceable against such party in accordance with its terms.

(ii) All necessary consents, approvals and authorizations of all governmental authorities and other entities required to be obtained by such party in connection with this Amendment No. 3 have been obtained.

(b) Licensor hereby represents and warrants to Company as follows:

(i) The License Agreement is in full force and effect in accordance with its terms. After giving effect to this Amendment No. 3, there exist no known breaches, defaults or events which would (with the giving of notice, the passage of time or both) give rise to a breach, default or other right to terminate or modify the License Agreement.

7. **Effectiveness of the License Agreement.** Except as expressly amended by this Amendment No. 3, all of the terms and conditions of the License Agreement shall continue in effect.

IN WITNESS WHEREOF, Company and Licensor, intending to be bound, have executed this Amendment No. 3 by their duly authorized representatives, and this Amendment No. 3 shall be part of the License Agreement between the parties as of the date first written above. This Amendment No. 3 may be executed in counterparts, each of which shall be deemed to be an original and together shall be deemed to be one and the same agreement.

TRACON PHARMACEUTICALS, INC.

By: /s/ Charles Theuer

Name: Charles Theuer

Title: CEO

ROSWELL PARK CANCER INSTITUTE

By: /s/ Michael B. Sexton

Name: Michael B. Sexton, Esq.

Title: Chief Institute Operations Officer/Secretary

HEALTH RESEARCH, INC.

By: /s/ John Blandino

Name: John Blandino, MS, CRA

Title: Director, Health Research, Inc., Roswell Park Division

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EXHIBIT 1.8

Patent Rights

[…***…]

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EXHIBIT 1.11

[…***…]

Exhibit 10.13

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 230.406.**

LICENSE AGREEMENT

Case Western Reserve University — Tracon Pharmaceuticals Inc.

This Agreement (hereinafter "this Agreement") entered into as of this 2nd day of August, 2006 ("Effective Date") by and between Case Western Reserve University, an Ohio non-profit corporation, having a principal place of business at 10900 Euclid Avenue, Cleveland, Ohio 44106 ("CASE") and Tracon Pharmaceuticals, Inc., a Delaware for-profit corporation, having a principal place of business at 4510 Executive Drive, Suite 330, San Diego, California 92121 ("Licensee").

WITNESSETH

WHEREAS, CASE owns certain rights in certain technology relating to the technology described in the patents and patent application itemized in Attachment A on an "as is" basis on the Effective Date and is interested in licensing same;

WHEREAS, Licensee desires to acquire rights in and to the technology upon the terms and conditions herein set forth;

NOW THEREFORE, in consideration of the mutual covenants contained herein and intending to be legally bound hereby, the parties agree as follows:

1. DEFINITIONS

1.1 The term "Acceptance for Review" shall mean the acceptance for review of the NDA (or Foreign Equivalent) representing the FDA's (or Foreign Equivalent's) determination that the application is sufficiently complete to permit a substantive review.

1.2 The term "Affiliate" shall mean any corporation or other legal entity "controlled," "controlling," or "under common control with," another corporation or legal entity, where "control" means ownership, directly or indirectly, of greater than fifty percent (50%) or more of the voting capital shares or similar voting securities of the other entity that has signed an agreement with Licensee in the form of Attachment B and such entity shall be bound as a Licensee and have all of the rights and obligations of Licensee provided by this License Agreement after the date it (they) deliver to CASE a copy of Exhibit B attached hereto executed by a duly authorized representative.

1.3 The term "Biological Materials" shall mean any biological materials created through use of any Licensed Technology or supplied by CASE together with any Progeny or Unmodified Derivatives thereof created by Licensee. CASE may supply Biological Materials to Licensee pursuant to a separate materials transfer agreement to be negotiated in good faith by the parties that, among other terms, will incorporate the license terms of this Agreement by reference.

1.4 The term "Clinical Trial" shall mean the use of a Licensed Product(s) in Subjects in accordance with 21 C.F.R. §312.

1.5 The term "Combination Therapeutic" shall mean a first formulation comprising methoxyamine (or a methoxyamine derivative) and an additional formulation(s) (to be administered in conjunction with the first formulation, albeit not necessarily simultaneously) falling within the definition of Licensed Technology, comprising one or more therapeutic compounds distinct from methoxyamine (or a methoxyamine derivative) administered to a Subject

1.6 The term "Completion of the Phase II" shall mean the date on which the Food & Drug Administration and the Licensee agree that sufficient data and information have been submitted to the FDA to permit the initiation of a Phase III Clinical Trial of a Licensed Product(s) without requiring the conduct of further Clinical Trials or the submission of additional data or information as evidenced by the date on which the FDA and the Licensee complete an End-of-Phase 2 Meeting as defined by 21 CFR 312.47(b).

1.7 The term "Completion of the Phase III" shall mean the date on which the Food & Drug Administration and the Licensee agree that sufficient data and information have been submitted to the FDA to permit the initiation of an NDA of a Licensed Product(s) without requiring the conduct of further Clinical Trials or the submission of additional data or information as evidenced by the occurrence of an Acceptance for Review.

1.8 The term "Copyrights" shall mean CASE's copyrights in the Licensed Technology.

1.9 The term "Derivative" shall mean intellectual property developed by Licensee, which includes, or is based in whole or in part on, the Licensed Technology, including, but not limited to computer software, translations of the Licensed Technology to other foreign languages, adaptation of the Licensed Technology to hardware platforms, abridgments, condensations, revisions, and software incorporating all or any part of the Licensed Technology which may also include Licensee-created modifications, enhancements or other software. Licensee shall be entitled to establish all proprietary rights for itself in the intellectual property represented by Derivatives, whether in the nature of

trade secrets, copyrights, patents or other rights, provided (a) that Derivatives shall be [...***...], (b) Derivatives may not […***…], unless the License granted under 2.1 of this Agreement is then in effect, and (c) Licensee shall promptly notify CASE of Licensee-originated bug fixes to the Licensed Technology, which shall be part of the Licensed Product and owned by CASE. Any copyright registration by Licensee for Derivatives shall give full attribution to CASE's Copyrights. CASE, and any non-profit health care institution affiliated with it, shall have the right to use Derivatives for research, educational, academic and administrative purposes.

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1.10 The term "Dispose" or "Disposition" shall mean the sale, lease or other transfer of Licensed Product(s).

1.11 The term "Dollar," "U.S. Dollar," and "U.S. $" shall mean lawful money of the United States of America.

1.12 The term "EMEA" shall mean the European Agency for the Evaluation of Medicinal Products.

1.13 The term "FDA" shall mean the United States Food & Drug Administration.

1.14 The term "Field of Use" shall mean all mammalian therapeutic uses.

1.15 The term "First Dosing" shall mean the first date a Licensed Product is administered or dispensed to, or used involving, one or more human Subjects.

1.16 The term "Fiscal Quarter" or "Quarter" shall refer to the normal quarterly accounting periods of Licensee; if Licensee does not have normal quarterly accounting periods, then "Fiscal Quarters" shall mean the calendar three months periods commencing with January of each year.

1.17 The term "Foreign Equivalent" shall mean the performance or occurrence of activities in non-U.S. jurisdictions similar to the performance or occurrence of activities in the United States covered by the terms "Clinical Trial," "Phase II Clinical Trial," "Completion of a Phase II Clinical Trial," "Phase III Clinical Trial," "Completion of a Phase HI Clinical Trial," "IND," "NDA," "Submit an NDA" "NDA Approval," and "Regulatory Approval," as each such term is defined in this Article.

1.18 The term "IND" shall mean an Investigational New Drug application submitted under 21 C.F.R. §312.

1.19 The term "Investigational New Drug" shall mean a new drug or biological drug that is used in a Clinical Trial.

1.20 The term "Launch" shall mean the same as Product Launch.

1.21 The term "Licensed Product" or "Product" shall mean any product, service and/or process which constitutes, is based on, incorporates or utilizes, wholly or in part, Licensed Technology and/or any and all Biological Materials.

1.22 The term "Licensed Technology" or "Technology" shall mean (i) the technology described in the patents and patent application itemized in Attachment A on an "as is" basis on the Effective Date; (ii) the trade secrets, know-how, design architecture and the software and algorithm related to the technology described in the Patents, including related code and related Copyrights, on an "as is" basis on the Effective Date; (iii) any claims issuing on Patents covering the foregoing parts (i) or (ii), and (iv) Derivatives. If Biological Materials which contain

Licensed Technology are provided to Licensee, they shall be considered (to the extent of such Licensed Technology) Licensed Technology.

1.23 The term "MHLW" shall mean the Japanese Ministry of Health, Labour and Welfare.

1.24 The term "NDA" shall mean a New Drug Application submitted under 21 C.F.R. §314.

1.25 The term "NDA Approval" shall mean the grant by the FDA under 21 C.F.R. §314 of the right to market commercially and distribute a Licensed Product(s) within the Field of Use.

1.26 The term "Net Sales" shall mean the total Revenues received by Licensee, its Affiliates, sublicensees or sub-sublicensees from the manufacture use or Disposition of Licensed Product(s), less the total of all:

a. discounts allowed in amounts customary in the trade;
b. sales tariffs, duties and/or taxes imposed on the Licensed Product(s);
c. outbound transportation prepaid or allowed;
d. shipping packaging and freight charges; and
e. amounts allowed or credited on returns.

No deduction shall be made for commissions paid to individuals (whether independent sales agents or persons regularly employed by Licensee).

Notwithstanding anything herein to the contrary, the Disposition of a Licensed Product to a Third Party without consideration to Licensee in connection with the research, development or testing of a Licensed Product shall not be considered a Disposition of a Licensed Product under this Agreement. Nor shall the Disposition of a Licensed Product solely for indigent or similar public support programs be considered a Disposition of Licensed Product under this Agreement.

Notwithstanding anything herein to the contrary, the Disposition of a Licensed Product between the Licensee, its Affiliate, its sublicensee or its sub-sublicensee shall not be considered a sale of Licensed Product under this Agreement unless (i) such party is the end user of such Licensed Product or (ii) such Disposition is accompanied by an exchange of funds.

1.27 The term "Non Royalty Sublicensing Income" or "NRSI" shall mean all non royalty considerations received by Licensee related to a sublicense or sub-sublicense agreement. NRSI would include but not be limited to all sublicense or sub-sublicense issue fees, maintenance fees and non-sales related sublicense and sub-sublicense milestone payments received by Licensee directly related to the sublicensing or sub-sublicensing by Licensee of rights to commercialize Licensed Product(s), but shall exclude:

a. […***…];

***Confidential Treatment Requested

b. […***…];
c. […***…]; and
d. […***…].

1.28 The term "Patent(s)" shall mean the patents and patent application itemized in Attachment A: any patent, patent application, continuation, continuation-in-part, divisional, reissue or reexamination in the U.S.A. or in any other country, which issues to CASE and is based on intellectual property in existence at the date of the signing of this Agreement.

1.29 The term "Phase II Clinical Trial" shall mean a Clinical Trial either (i) designed to provide a preliminary evaluation of the activity or effectiveness, common short-term side effects, risks, or other characteristics of a Licensed Product for particular indications; or (ii) as otherwise indicated as being a Phase H Clinical Trial in its protocol and as defined in 21 C.F.R. § 312.21 (b).

1.30 The term "Phase HI Clinical Trial" shall mean a Clinical Trial conducted subsequent to Completion of Phase II, which the FDA and Licensee agree is "adequate and well-controlled" as those terms are defined in 21 C.F.R. § 314.126 in its design and conduct and is intended to demonstrate that a Licensed Product(s) has sufficient safety and effectiveness as necessary for NDA Approval of such Licensed Product(s) and as defined in 21 C.F.R. § 312.21 (c).

1.31 The term "Prime Rate" shall mean the interest rate per annum announced from time to time by Key Bank, Cleveland, Ohio, as its prime rate.

1.32 The term "Product Launch" shall mean the initial delivery to an end user of a Licensed Product(s) that is subject to, and in accordance with, an NDA Approval for such Licensed Product(s).

1.33 The term "Progeny" shall mean an unmodified descendant of Biological Material, such as virus from virus, cell from cell, or organism from organism, and any immediate or remote progeny of or descendant from organisms or cell lines containing the same genetic mutation(s) or lesion(s) as the Biological Material

1.34 The term "Regulatory Approval" shall mean FDA approval or Foreign. Equivalent.

1.35 The term "Revenue" shall mean the U.S. Dollar value of all consideration realized by Licensee for the Disposition of Licensed Product(s).

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1.36 The term "Royalties" shall mean Disposition royalties which are calculated as a percentage of Net Sales and will be payable by Licensee to CASE under the provisions of this Agreement.

1.37 The term "Stand-Alone Therapeutic" shall mean a single formulation comprising methoxyamine (or a methoxyamine derivative) and one or more therapeutic compounds (falling within the definition of Licensed Technology) distinct from methoxyamine (or a methoxyamine derivative) administered to a Subject.

1.38 The term “Subject” shall mean a human who participates in a Clinical Trial, either as the recipient of the Investigational New Drug or as a control. A Subject may be a healthy human or a patient with a disease.

1.39 The term “Submit an NDA” shall mean the initial filing of an NDA with the FDA or Foreign Equivalent.

1.40 The term “Third Party(ies)” shall mean any party other than the Licensee or CASE.

1.41 The term “Unmodified Derivative” shall mean substances created by Licensee which constitute an important unmodified functional sub-unit or expression product of Biological Material, e.g., subclones of unmodified cell lines, purified or fractionated sub-sets of Biological Material such as novel plasmids or vectors, proteins expressed as DNA or RNA, or antibodies secreted by a hybridoma.

1.42 The term “Year” refers to contract years of the License Agreement, i.e., a 12-month period starting with the date (or anniversary) of the Effective Date of the License Agreement.

2. LICENSE GRANT

2.1 CASE hereby grants to Licensee, and Licensee hereby accepts, an exclusive, world-wide right to use the Licensed Technology to make, have made, use, have used, offer to sell, produce, manufacture, distribute, market, import and Dispose of Licensed Product(s) and to create Derivatives and/or Biological Materials for the Field of Use.

2.2 Licensee shall have the right to sublicense the rights granted to Licensee to Third Parties in its sole discretion, subject to the following (i) Licensee shall give CASE prompt notice of the execution of any sublicense or sub-sublicense agreement and (ii) each sublicense and sub-sublicense agreement shall contain covenants by the sublicensee and sub-sublicensee for such sublicensee and sub-sublicensee to observe and perform the same terms and conditions as those set forth for Licensee in this Agreement. Licensee understands that any sublicense or sub-sublicense agreements granted by Licensee to entities other than customers must provide that the obligations to CASE under this Agreement, including but not limited to, Indemnification, Insurance, No Warranty, and procedures for Dispute Resolution shall be binding upon such sublicensee and sub-sublicensee as if it were a party to this Agreement. The Licensee shall be

responsible for curing the acts or omissions of its sublicensees and sub-sublicensees and shall not grant any rights which are inconsistent with the rights granted to and obligations of the Licensee hereunder. Any act or omission of a sublicensee or sub-sublicensee which would be a breach of this License Agreement if committed by the Licensee must be cured by such sublicensee or sub-sublicensee within sixty (60) days of the date on which Licensee becomes aware of such breach by such sublicensee or sub-sublicensee. If such sublicensee or sub-sublicensee does not cure such breach within sixty (60) days, then Licensee shall terminate such sublicense or sub-sublicense agreement and, if practicable, shall cure such breach as soon as practicable. Each sublicense agreement and sub-sublicense agreement granted by the Licensee shall include an audit right by CASE of the same scope as provided hereinbelow with respect to the Licensee. Should this Agreement terminate, sublicenses and sub-sublicenses granted prior to the termination shall become direct licenses from CASE. The Licensee shall give CASE prompt notification of the identity and address of each sublicensee and sub-sublicensee with whom it concludes a sublicense and sub-sublicense agreement and shall supply CASE with a copy of each such sublicense and sub-sublicense agreement.

2.3 CASE, and any non-profit health care institution affiliated with it, shall have the right to use, free of charge, any product or process, developed by Licensee which contains or is based on any of Licensed Technology, and/or Derivatives, for research, patient care, educational, academic, or administrative purposes, provided however, that such use does not generate a profit for CASE or any non-profit health care institution affiliated with it.

2.4 No provision of this Agreement shall restrict CASE’s ability to conduct further research and development in the area of Licensed Technology or other areas.

2.5 All Licensed Product(s) shall be manufactured, sold and performed by Licensee in compliance with all applicable governmental laws, rules and regulations. Licensee shall keep CASE fully informed of, and shall move expeditiously to resolve, any complaint by a governmental body relevant to Licensed Product(s), except for complaints subject to the Section of this Agreement entitled “Infringement”.

2.6 Each party shall promptly notify the other parties hereto of its receipt of any allegations that Licensed Products infringe the intellectual property rights of any Third Party’s allegations. Nothing in this Section 2.6 shall be construed as obligating CASE to resolve any dispute or to settle or defend any claim, suit or proceeding arising out of Licensee’s manufacture, use or sale of Licensed Product(s). CASE retains the right to grant either exclusive or non-exclusive licenses for the Licensed Technology in fields of use other than the Field of Use for which the license hereunder is granted. CASE retains the right, ultimately exercisable in the sole discretion of CASE, after conducting reasonable legal analysis with outside legal counsel, to grant nonexclusive licenses under the Licensed Technology in the Field of Use to Third Parties as a means to resolve disputes or settle claims, suits or proceedings arising out of allegations of infringement of the intellectual property rights of the Third Party; provided that before exercising such right CASE shall notify Licensee of the situation with the Third Party and permit Licensee to participate in negotiations with the Third Party and to provide CASE with legal analyses of the Third Party’s allegations. If CASE grants such non-exclusive license, the parties will negotiate

in good faith to modify terms of this License Agreement, if necessary to address in an equitable manner the economic consequences of such non-exclusive license.

2.7 If Licensed Technology was supported under a United States Government funding agreement, then (a) the United States Government has been or will be granted licensing rights as required under the terms of those federal agreements, (b) all rights and requirements of the United States Government and others under Public Law 96-517, and Public Law 98-620, including but not limited to government purpose license, march-in rights, and obligations to provide materials to other researchers shall remain and shall in no way be affected by this Agreement and any right granted in this Agreement greater than that permitted under Public Law 96-517, or Public Law 98-620, shall be subject to modification as may be required to conform to the provisions of those statutes, and (c) products sold in the United States of America, embodying or produced through use of Licensed Technology, will be manufactured substantially in the United States of America, unless a waiver has been obtained from the federal funding agency under whose funding agreement the Licensed Technology was generated.

2.8 Retained Rights to the Licensed Technology. Notwithstanding the license granted in this Agreement, CASE, and any non-profit health care institution affiliated with it, shall retain all rights to use the Licensed Technology for non-commercial research, patient care, educational, academic, or administrative purposes, even in the Field of Use, provided however, that such use does not generate a profit for CASE or any non-profit health care institution affiliated with it.

2.9 Supply of Research Materials. At […***…], and subject to one or more of a materials transfer, confidentiality, and/or supply agreement(s) to be negotiated in good faith by the parties, Licensee will provide to CASE reasonable quantities of all research materials produced, or in the future developed, by the Licensee for the use by CASE in a manner consistent with Section 2.8 above. Provided, however, that the total amount of each such research material supplied to CASE without charge in any calendar year be limited to […***…]. Further requests for said research material (up to […***…] of said material) within that calendar year shall be provided […***…]. CASE shall not use such research materials in a manner detrimental to the Licensee's legitimate commercial interests in the Licensed Technology granted under this Agreement or transfer such research materials obtained under this Section 2.9 to any Third Party(ies) without the prior written consent of the Licensee. Any sale, offer for sale, distribution or marketing of such research materials and their derivatives within the Field of Use shall be deemed "detrimental to the Licensee's commercial interests" within the intent of this Section.

2.10 CASE-based Clinical Studies. The Licensee will use reasonable and good faith efforts to ensure that, under financial terms that are customary and reasonable and in accordance with the Licensee's standard clinical research terms, CASE and its affiliated hospitals have, subject to applicable FDA and governmental regulations and policies pertaining to conflicts, […***…]. The ultimate decision regarding the selection of […***…] shall be made by Licensee after reasonable and good faith consideration of one or more factors

including, but not limited to: […***…] (the "Decision Factors"). The […***…] shall be made by Licensee after a reasonable and good faith analysis of […***…] ability to meet the Decision Factors.

3. TERM OF THIS AGREEMENT

The term of this Agreement shall cover the period commencing on the Effective Date and shall conclude at on the expiration date of the last-to-expire Patent on a country-by-country basis, whichever comes later, unless otherwise terminated pursuant to another provision of this Agreement.

4. DUE DILIGENCE

4.1 Licensee shall use its best efforts to effect introduction of Licensed Technology into the commercial market as soon as possible; thereafter, until the termination of this Agreement, Licensee shall keep Licensed Technology reasonably available to the public.

4.2 Licensee shall, at a minimum, achieve the following milestones ("Diligence Milestones"):

(a) On or before the first anniversary of the Effective Date, a Development Committee (the "Committee") shall be organized to monitor the clinical progress of the Licensed Products at Licensee's expense. The Committee will consist of independent scientific and technical thought leaders that are highly regarded by the scientific community in the field of each Licensed Product and at least one representative from each of CASE and Licensee. The Committee will be responsible for (i) making recommendations to Licensee's management relating to the pre-clinical and clinical development strategy; (ii) analyzing and assessing ongoing pre-clinical and clinical development of each Licensed Product; and (iii) assisting Licensee in preparing pre-clinical and clinical development budgets. The actions and opinions of the Committee will be confidential (specifically, CASE may be asked to enter into a separate confidentiality agreement to govern the Committee meetings), however, the CASE representative may report clinical updates to a designated senior official at CASE and the Technology Transfer Office of CASE who will agree to keep such information confidential. The Committee will meet at least once a year.

(b) On or before the […***…] anniversary of the Effective Date, […***…].

(c) On or before the […***…] anniversary of the Effective Date, […***…].

(d) Within […***…] years of […***…].

(e) Within […***…] years of […***…].

(f) Within […***…] years of […***…].

4.3 Licensee's default in performance in accordance with Section 4 herein shall be grounds for CASE to terminate this Agreement pursuant to the Section entitled "Termination".

5. ROYALTIES AND NRSI

5.1 Royalties payable by Licensee to CASE shall be […***…] percent ([…***…]%) of Net Sales by Licensee or its Affiliates and […***…] percent ([…***…]%) of all Royalties received by Licensee and its Affiliates from the Net Sales of Licensed Product(s) by sublicensees or sub-sublicensees, provided however, that in no event shall CASE receive less than […***…] percent ([…***…]%) of Net Sales of Licensed Product(s) by such sublicensees or sub-sublicensees.

5.2 Licensee shall pay CASE a non-refundable up-front fee of […***…] dollars ($[…***…]), due and payable thirty (30) days after the Effective Date of this Agreement. This up-front fee will not be credited against any other amounts due under this Agreement.

5.3 Licensee shall pay CASE a minimum royalty of seventy-five thousand dollars ($75,000) per year ("Annual Minimum Royalty"), payable on each anniversary of the Effective Date commencing on the […***…] anniversary of the Effective Date or the […***…] anniversary of the Effective Date following the […***…], whichever comes earlier. The Annual Minimum Royalty shall be credited against the Royalties payable in a Year.

5.4 Annual Minimum Royalty payments are to be adjusted by […***…].

5.5 Milestone Payment Amounts. The Licensee will make a payment to CASE within thirty (30) days of each occurrence of the achievement of a Milestone as follows:

MILESTONE	MILESTONE PAYMENT AMOUNT
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S.

	$[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])

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[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])
[…***…]	[…***…] Dollars (U.S. $[…***…])

5.6 Royalty Adjustments. If […***…], and, after written notice to CASE and good faith negotiations with […***…], the Licensee is required to […***…], then the Licensee may deduct […***…] from the Royalty(ies) payable to CASE pursuant to this Agreement up to, but no more than […***…] percent ([…***…]%) of the Royalty(ies) otherwise payable to CASE under this Agreement, without a carryover to subsequent annual periods in which Royalties are payable.

5.7 Milestone Cure. If the Licensee fails to achieve any Diligence Milestone under Section 4.2, the Licensee has the right to cure such failure as provided under Section 11.2 of this Agreement. Upon expiration of the pertinent cure period, and in lieu of termination, CASE, at its sole option upon sixty (60) days prior written notice, may convert the Licensee's exclusive

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license under this Agreement into a non-exclusive license and may grant non-exclusive licenses and other rights to the Licensed Technology to Third Parties, even in the Field of Use, whether such be commercial entities, academic institutions or other persons.

5.8 NRSI Royalty. Licensee shall pay to CASE […***…] percent ([…***…]%) of all NRSI.

5.9 In the event that a Licensed Product is Disposed in the form of a combination product containing the Licensed Product and one or more Useful Components (as hereinafter defined) which are not themselves a Licensed Product, the Net Sales for such combination product shall be calculated by multiplying the sales price of such combination product by the fraction (A+B) where: A is the invoice price of the Licensed Product, if sold separately, and if not sold separately, the fair market value of the Licensed Product; and B is the total invoice price of the Useful Component, if sold separately, and if not sold separately, the fair market value of the Useful Component.

For purposes of this Section 5.9 only, "Useful Component" means an ingredient that is used for enhancing the efficacy and/or safety of a Licensed Product; formulating a Licensed Product and/or delivering a Licensed Product.

5.10 No multiple Royalties. Multiple Royalties shall not be payable because the use or Disposition of any Licensed Product is or shall be covered by more than one of the group consisting of Patents, Derivatives, and/or Biological Materials. Royalties will not be payable on Disposition by a sublicensee if Royalties are or will be paid upon the Disposition by Licensee to the sublicensee in question.

6. PAYMENT TERMS

6.1 Royalties shall be paid by Licensee to CASE, as defined in the Section entitled "Royalties" for each Fiscal Quarter within sixty (60) days of the end of such Fiscal Quarter, until this Agreement expires or is terminated in accordance with this Agreement. If this Agreement terminates before the end of a Fiscal Quarter, the payment for that terminal fractional portion of a Fiscal Quarter shall be made within ninety (90) days of the date of termination of this Agreement.

6.2 All Royalties hereunder shall be paid in U.S. Dollars and shall be made by wire transfer to CASE's account, or by Licensee's check sent in accordance with the Section entitled "Notices".

6.3 All Royalties payable hereunder which are overdue shall bear interest until paid at a rate equal to the Prime Rate in effect at the date such Royalties were due plus […***…] percent ([…***…]%) per annum, but in no event to exceed the maximum rate of interest permitted by applicable law. This provision for interest shall not be construed as a waiver of any rights CASE has as a result of Licensee's failure to make timely payment of any amounts.

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7. REPORTS AND AUDITS

7.1 Licensee shall report Quarterly to CASE its Net Sales and Revenues, which are subject to Royalty payments.

7.2 No later that sixty (60) days after June 30 of each calendar year, Licensee shall provide to CASE a written annual progress report ("Progress Report") describing progress on research and development, Regulatory Approvals, manufacturing, sublicensing, marketing and sales during the most recent twelve (12) month period ending June 30 and plans for the forthcoming year. Specifically, Licensee shall provide to CASE written annual reports of progress towards Diligence Milestones with supporting documentation in addition to the Progress Report (the "Annual Report"). If multiple Licensed Product(s) are being developed, the Progress Report and the Annual Report shall provide the information set forth above for each Licensed Product.

7.3 No later than thirty (30) days after the completion of a Diligence Milestone, Licensee shall provide to CASE a written report on the completion of said Diligence Milestone.

7.4 Licensee shall maintain accurate books and records such that the Royalties due and payable hereunder can be easily ascertained. Such books and records shall be maintained at Licensee's principal place of business and shall be available for inspection by CASE or its representatives during the normal business day upon not less than ten (10) days prior written notice, provided that CASE or its representatives agree to protect the confidentiality of the information as to the customers of Licensee.

7.5 Licensee shall make available Licensee's books and records for audit by an accounting firm or representative of CASE's selection, and Licensee agrees to cooperate fully in any such audit, provided that the auditors agree to protect the confidentiality of the information as to the customers of Licensee. Any such audit shall not be more frequent than annually. In the event that such audit determines that the amount of Royalties paid to CASE was in error by more than […***…] ([…***…]%) percent, Licensee shall pay the costs of the audit.

7.6 CASE agrees to hold in confidence each such report delivered by Licensee pursuant to this Article 7 until the termination of this Agreement unless or until the information contained therein is or becomes public through no fault of CASE.

8. IMPROVEMENTS AND COLLABORATIONS

8.1 Discussion of technical matters with each other by the parties will not create any rights to ownership of patents, copyrights, mask work rights, trade secrets or other intellectual property rights in solutions to the problem developed solely by employees or agents of the other party hereto.

8.2 Licensee will own all of the right, title and interest (including patents, copyrights, mask work rights, trade secrets and any other intellectual property rights, but

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excluding Patents) in and to the results of the collaboration between the parties that are developed solely by Licensee employees or agents.

8.3 CASE will own all of the right, title and interest (including patents, Patents, copyrights, mask work rights, trade secrets and any other intellectual property rights) in and to the results of the collaboration between the parties that are developed solely by CASE employees or agents.

8.4 All intellectual property that is not governed by a sponsored research, clinical research or other agreement with CASE, and which results in Patents or Licensed Technology developed jointly by employees or agents of CASE and Licensee shall be owned by CASE. Licensee may utilize such jointly developed property pursuant to the terms of this License Agreement. CASE may issue licenses to others regarding such jointly developed propertywhich result in Patents or Licensed Technology, as long as such licenses do not violate any exclusive license to Licensee then existing under the Section entitled "License Grant". If any other intellectual property is developed jointly by employees or agents of CASE and Licensee which would not constitute a Patent or Licensed Technology and which are not subject to another agreement between CASE and Licensee, CASE and Licensee shall jointly own (without any duty to account to the other for profits) all right, title and interest (including patents, copyrights, mask work rights, trade secrets, and other intellectual property rights) therein. If any patentable invention which would not constitute a Patent or Licensed Technology arises out of such joint development by employees or

agents of CASE and Licensee, CASE and Licensee will engage in good faith efforts to mutually agree on whether and how to pursue patent, copyright or mask work protection of the invention in the U.S. and elsewhere.

8.5 Except as provided in this Section, nothing herein shall be deemed to grant any license or rights in any other technology in addition to the Licensed Technology.

9. PATENTS AND OTHER INTELLECTUAL PROPERTY

9.1 CASE Property. Intellectual property rights to Licensed Technology such as Patent(s), patent(s), and Copyrights which may be obtainable will remain the property of CASE. Trademarks existing on the Effective Date of this License Agreement belong to CASE. CASE maintains the right to apply for and prosecute Patents.

9.2 Licensee shall bear all patenting and other intellectual property protection costs for protection of Licensed Technology (the "Patent Costs"). Licensee will reimburse CASE for all past and future fees and expenses related to the preparation, filing, prosecution and maintenance of the Patents, within thirty (30) days of the receipt of each notification or bill, provided however, that in no event shall the amount Licensee will reimburse CASE for expenses incurred prior to the Effective Date exceed […***…] dollars ($[…***…]) if this Agreement is executed before July 1, 2006.

9.3 CASE shall provide Licensee with ample time in which to review any correspondence for which submission to any patent authority is intended, prior to such

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submission and CASE shall consider in good faith any comments regarding such submission provided to CASE by Licensee.

9.4 CASE shall retain patent counsel reasonably suitable to Licensee with respect to quality of work, cost and responsiveness.

9.5 CASE has applied for, and/or will apply for and prosecute Patent coverage, at Licensee's expense, in any country if so requested by Licensee, for any and all Patents listed in Attachment A, to the extent that such protection is reasonably obtainable. Within one (1) year of the Effective Date, CASE and Licensee shall reasonably agree upon a budget with respect to the Patent Costs (the "Patent Budget"). CASE and Licensee shall update said Patent Budget every one (1) year thereafter. CASE and Licensee shall use reasonable efforts to maintain the Patent Costs actually incurred within fifteen percent (15%) of the Patent Costs forecast in the Patent Budget for any given one (1) year period, unless the prior written agreement of the Licensee is obtained.

9.6 CASE may, at its option and sole discretion and at its own expense, pursue patent, copyright and/or trademark rights for Licensed Technology in any country for which coverage has not been requested by Licensee in accordance with Subsection 9.5 above. If Licensee does not reimburse CASE for such fees within thirty (30) days of the receipt of each notification, then Licensee shall have no rights under any Patent in that country.

9.7 If CASE pursues a patent application or patent for which Licensee does not wish to assert any licensing rights, Licensee may terminate its obligations with respect to any such given patent application or patent upon thirty (30) days prior written notice to CASE and thereupon relinquish any rights to the specific technology covered by such patent; provided, however, any relinquishment of a patent application or patent by the Licensee under this section shall not affect in any way Licensee's rights and obligations to CASE arising from Licensee's continued use of any patent or patent application that is not so specifically relinquished. CASE will use its reasonable efforts to curtail such patent costs chargeable to the Licensee under this Agreement after this notice is received from Licensee. CASE may continue prosecution or maintenance of these application(s) or patent(s) at its sole discretion and expense, and Licensee will have no further rights or licenses to them. Licensee shall grant and hereby does grant CASE a world-wide, royalty-free, non-exclusive, irrevocable, sub-licensable commercial license to Patents and Licensed Technology, within the Field of Use, for the sole and exclusive purpose of being able to commercially practice and to sublicense for commercially practicing the rights relinquished by Licensee and gained by CASE under this Section 9.7.

10. MARKINGS, TRADEMARKS AND TRADE NAMES

10.1 Licensee shall have marked the appropriate portions of all Licensed Product with any applicable United States of America and foreign Patent numbers in accordance with the applicable laws of the countries in which the materials are intended to be used. Licensee shall neither register nor use any CASE trademarks or trade names.

10.2 Licensee acknowledges that it does not have any rights or any title whatsoever in or to CASE's technology, trade name or in or to any of CASE's trademarks, except as provided under this Agreement. Any reference by Licensee to CASE beyond the above may only be done with express written permission of CASE's Associate Vice President for Technology Transfer.

11. TERMINATION

11.1 In the event that Licensee defaults in the payment in full of any amount required to be paid under this Agreement on the date such payment is due, in addition to utilizing any other legal and/or equitable remedies, CASE shall have the right by written notice to Licensee after such default either (i) to terminate the exclusivity, if any, of the license hereunder (by amending the word "exclusive" in the License Grant to read "non-exclusive") without any reduction in any of the payments due from Licensee, or (ii) to terminate this Agreement. CASE shall give written notice of the default (the "Notice of Default") to Licensee. If Licensee has not cured such default by full payment of such amount, including any interest payable on amounts due hereunder, within ninety (90) days of the effective date of the Notice of Default, CASE shall have the right by a second written notice to Licensee to terminate the exclusivity of this Agreement or to terminate this Agreement (the "Notice of Termination"). If CASE terminates this Agreement pursuant to this Section, Licensee shall still pay CASE any Annual Minimum Royalties due for the next Year thereafter, notwithstanding termination of Licensee's rights hereunder.

11.2 In the event that either party to this Agreement defaults in the performance of any of its obligations hereunder (other than the defaults referred to in Section 4 (Due Diligence) and Section 11.1. (Termination), hereof) and fails to cure such default within sixty (60) days after written notice of such default from such other party, the other party shall have the right by written notice to the defaulting party within sixty (60) days after the expiration of such sixty (60) day cure period to terminate this Agreement.

11.3 The termination of this Agreement shall not terminate (i) the obligation of Licensee to pay any amounts, which have accrued or which are otherwise to be paid by Licensee under the terms of this Agreement, or (ii) the obligations of Licensee under the Sections entitled "Reports and Audits," "Patents and Other Intellectual Property," "Termination," "Taxes," "Confidentiality and Trade Secrets," "Indemnification," "Insurance," "Dispute Resolution," and "Infringement" hereunder.

11.4 Upon termination of this Agreement, Licensee will immediately discontinue any further use of Licensed Technology and discontinue production of any Licensed Product(s).

11.5 Provided that this Agreement has not been terminated by Licensee or CASE, then on a country by country basis (effective on the later of (a) fourteen (14) years and (b) the date of the last to expire Patent in such country) licensee shall have a royalty free non-exclusive license under Licensed Technology to make, have made, use, have used, offer to sell, produce, manufacture, distribute market and Dispose of Licensed Product(s) and to create Derivatives and/or Biological Materials for the Field of Use.

11.6 Licensee shall have the right at any time to terminate this Agreement in its entirety for any reason or no reason, by giving thirty (30) days notice thereof in writing to CASE. Notwithstanding anything to the contrary, in the event that Licensee terminates this Agreement in its entirety, Licensee shall tender to CASE the termination fee of […***…] dollars ($[…***…]) and shall further pay any amounts due and owing to CASE pursuant to this Agreement upon such termination. A termination pursuant to this section shall be subject to the provisions of Section 11.3 as with all other terminations.

12. TAXES

Licensee shall pay all taxes which may be assessed or levied on, or on account of, the Licensed Technology, Licensed Product made, used or Disposed of by Licensee or its Affiliates hereunder and all taxes (other than taxes imposed by the United States of America or the State of Ohio or jurisdictions within such State) levied on or on account of the amounts payable to, or for the account of, CASE under this Agreement.

13. REPRESENTATIONS AND WARRANTIES

13.1 Each party hereby represents and warrants to the other party as follows:

13.1.1 Corporate Existence. Such party is a corporation duly organized, validly existing and in good standing under the laws of the state in which it is incorporated.

13.1.2 Authorization and Enforcement of Obligations. Such party (a) has the corporate power and authority and the legal right to enter license agreements and (b) has taken all actions necessary under its governing documents and policies to execute this license agreement. This Agreement has been executed and delivered on behalf of such party as required by its governing documents and policies, and constitutes a legally binding obligation, enforceable against such party in accordance with its terms.

13.1.3 No Consents. No consents by governmental authorities are required to be obtained for execution of this Agreement.

13.1.4 Patents. Neither Dr. Stanton Gerson nor Michael Haag or Steve Tan, to the best of their knowledge, have received oral or written notice of a claim that any of the patents or patent application listed on Attachment A infringe the intellectual property rights of a Third Party other than claim(s) listed in Attachment C which CASE has previously disclosed to Licensee.

13.2 NO WARRANTY. ALL LICENSED TECHNOLOGY, INFORMATION, MATERIALS, SERVICES, INTELLECTUAL PROPERTY OR OTHER PROPERTY OR RIGHTS, GRANTED OR PROVIDED BY CASE PURSUANT TO THIS AGREEMENT ("DELIVERABLES") ARE PROVIDED ON AN "AS IS" BASIS. CASE MAKES NO WARRANTIES OF ANY KIND, EITHER EXPRESSED OR IMPLIED, AS TO ANY MATTER INCLUDING, BUT NOT LIMITED TO, WARRANTY OF FITNESS FOR PARTICULAR PURPOSE, OR MERCHANTABILITY, EXCLUSIVITY OR RESULTS

OBTAINED FROM USE. NOR SHALL EITHER PARTY HERETO BE LIABLE TO THE OTHER FOR INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES SUCH AS LOSS OF PROFITS OR INABILITY TO USE SAID INTELLECTUAL PROPERTY OR ANY APPLICATIONS AND DERIVATIONS THEREOF. CASE DOES NOT MAKE ANY WARRANTY OF ANY KIND WITH RESPECT TO FREEDOM FROM PATENT, TRADEMARK, OR COPYRIGHT INFRINGEMENT, OR THEFT OF TRADE SECRETS AND DOES NOT ASSUME ANY LIABILITY HEREUNDER FOR ANY INFRINGEMENT OF ANY PATENT, TRADEMARK, OR COPYRIGHT ARISING FROM THE USE OF DELIVERABLES. LICENSEE AGREES THAT IT WILL NOT MAKE ANY WARRANTY ON BEHALF OF CASE, EXPRESSED OR IMPLIED, TO ANY ENTITY CONCERNING THE APPLICATION OF OR THE RESULTS TO'BE OBTAINED WITH DELIVERABLES.

14. COSTS

All costs and expenses incurred by Licensee in carrying out Licensee's obligations under this Agreement shall be paid by Licensee, and Licensee shall not be entitled to reimbursement from Royalties hereunder or otherwise therefor from CASE. Licensee shall possess or obtain at its own expense all necessary licenses and permits and shall comply with all laws, ordinances, rules or regulations affecting the exportation, use, and/or sale or transfer of the Licensed Product, Licensed Technology and/or Derivatives.

15. CONFIDENTIALITY, TRADE SECRETS, AND PUBLICATION

15.1 "Confidential Information" shall mean any information relating to the Licensed Technology, the terms of this Agreement (as from time to time amended), Patents, copyrights, algorithms, and software covered by this Agreement or information disclosed to Licensee in connection with performance of this Agreement, provided that such information is marked "Confidential" or designated in writing as "Confidential" within thirty (30) days after an oral disclosure to Licensee. All such information shall be Confidential Information, including information disclosed to Licensee prior to the date of this Agreement, unless such information (i) was already in Licensee's possession prior to the disclosure thereof by CASE as provided in this Section I5.1; (ii) has been published or is published hereafter, unless such publication is a breach of this Agreement; (iii) is received by Licensee from a Third Party not under an obligation of confidentiality with respect thereto; (iv) is independently developed by Licensee; (v) is approved for disclosure in writing by CASE or (v) is required to be disclosed by law, provided however, in the case of disclosure pursuant to legal process, reasonable notice of the impending disclosure is provided to the disclosing party. In the event that such information shall be established to have been known to Licensee prior to the disclosure thereof by CASE by reference to any publication thereof by Licensee or by reference to any internal writing or other business record maintained by Licensee in the ordinary course of business, such information shall not be deemed to be Confidential Information for purposes of this Agreement following notification to CASE of such fact.

15.2 Licensee shall maintain in confidence and shall not disclose to any person not a party hereto, nor shall Licensee use or exploit in any way without CASE's written agreement, any Confidential Information until three (3) years after the later of the date of the termination of

this Agreement or the end of the term of the last to expire Patent, unless such information ceases to be Confidential Information prior to the end of such period through no fault of Licensee or Licensee and CASE enter into an agreement authorizing same.

15.3 Licensee shall maintain with respect to such Confidential Information a standard of care which is no less than that standard which Licensee maintains to prevent the disclosure of its own most valuable confidential information but in no event shall Licensee exercise less than reasonable care to prevent the disclosure of Confidential Information by its employees or representatives.

15.4 Upon termination of this Agreement for any reason, Licensee agrees to return at once to CASE, without copying, all originals and copies of all materials (other than this Agreement) containing any Confidential Information, provided however, Licensee shall be entitled to retain one (1) copy of all such Confidential Information solely for purposes of establishing its obligations hereunder.

15.5 For purposes of this Section the term "CASE" shall include inventors of the Licensed Technology and those working with or under them.

15.6 During the period five (5) years from the Effective Date, CASE will provide Licensee a copy of any proposed publication containing Licensed Technology fifteen (15) days before submission for publication other than for the submission of abstracts and concerning abstracts CASE will provide Licensee a copy of any proposed abstract containing Licensed Technology five (5) days before submission of said abstract.

16. INDEMNIFICATION

Licensee hereby agrees to defend, indemnify and hold harmless CASE, its trustees, officers, employees, attorneys and agents from all claims or demands made against them (and any related losses, expenses or attorney's fees) arising out of or relating to Licensee's and/or any of its

sublicensee's use of or conduct regarding Licensed Product(s), Licensed Technology, Deliverables or Derivatives, including but not limited to, any claims of product liability, personal injury, death, damage to property or violation of any laws or regulations.

17. INSURANCE

Before Licensed Technology is administered to human beings, Licensee shall obtain and maintain appropriate coverage of general liability, product liability, and public liability insurance in the amount of no less than Three Million Dollars (U.S. $3,000,000) to protect CASE, its trustees, officers, employees, attorneys, and agents under the indemnification provided hereunder. CASE, its trustees, officers, employees, attorneys, and agents shall be named as additional insureds on Licensee's insurance policies and shall be provided appropriate certificates of insurance thereunder.

18. BREACH

No acquiescence in any breach of this Agreement by either party shall operate to excuse any subsequent or prior breach.

19. PRIOR AGREEMENT

Except for any confidential disclosure agreement executed by the parties, this Agreement supersedes all previous agreements relating to the subject matter hereof, whether oral or in a writing, and constitutes the entire agreement of the parties hereto and shall not be amended or altered in any respect except in a writing executed by the parties.

20. INTERPRETATION

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Ohio, United States of America, without regard to conflict of law principles.

21. DISPUTE RESOLUTION

21.1 Subject to Subsection 21.2, any controversy or dispute arising under this Agreement (including, but not limited to, the validity, scope and enforceability of this arbitration clause) shall be referred to and finally settled by arbitration in the City of Cleveland, Ohio, under the auspices of, and conducted in accordance with, the rules of the American Arbitration Association. All arbitration proceedings shall be before a board of three (3) arbitrators, for each of which each party shall select one (1) arbitrator and the selected arbitrators shall select the third arbitrator. The costs of the third arbitrator shall be divided equally between the parties, and each party shall pay the costs of the arbitrator selected by it. Any award of the arbitrators shall be final and conclusive on the parties to this Agreement, and judgment upon such award may be entered in any court having jurisdiction thereof

21.2 Either party may seek injunction relief for: (a) violation by the other party of the Sections entitled "Reports and Audits, "Markings, Trademarks and Trade Names;" "Confidentiality and Trade Secrets," "Insurance" and "Dispute Resolution"; (b) for enforcement of any arbitration award; or (c) for enforcement of any non-arbitrable matter. The prevailing party shall be entitled to recover from the other all costs, including attorney's fees, related to the action for injunctive relief.

21.3 Licensee hereby irrevocably and unconditionally:

(i) Agrees that any legal action, suit or proceeding contemplated by this Section entitled "Dispute Resolution" hereof (collectively, "Related Litigation") may be brought in any state or federal court of competent jurisdiction sitting in Cuyahoga County, Ohio, submits to the jurisdiction of such courts, and to the fullest extent permitted by law agrees that it will not bring any Related Litigation in any other forum (but nothing herein shall affect the right of CASE to bring any action, suit or proceeding in any other forum);

(ii) Waives any objection which it may have at any time to the laying of venue of any Related Litigation brought in any such court located in Cuyahoga County, Ohio, waives any claim that any such Related Litigation has been brought in an inconvenient forum, and waives any right to object, with respect to any Related Litigation brought in any such court, that such court does not have jurisdiction over Licensee; and

(iii) Consents and agrees to service of any summons, complaint or other legal process in any Related Litigation by registered or certified mail, postage prepaid, to Licensee at the address for notices described in the Section entitled "Notices" hereof, and consents and agrees that such service shall constitute in every respect valid and effective service (but nothing herein shall affect the validity or effectiveness of process served in any other manner permitted by law).

22. INFRINGEMENT

22.1 Licensee shall have the first right, but not the obligation, during the term of this Agreement to commence an action for infringement of the Patents against any Third Party for any infringement occurring within the Field of Use, provided that Licensee shall

provide CASE thirty (30) days prior written notice of such infringement and of Licensee's intent to file such action. CASE shall have the right at its own expense to appear in such action by counsel of its own selection. If required by the jurisdictional laws of the forum that any such action be prosecuted in the name of the owner of the Patent, CASE shall voluntarily appear at Licensee's expense; provided that if such appearance subjects CASE to any unrelated action or claim of a Third Party or Licensee in such jurisdiction, then CASE shall have the right to decline such appearance. Settlement of any action brought by Licensee shall require the consent of CASE (if rights under the Patents or past or future economic recovery upon such rights are affected) and Licensee, which neither shall unreasonably withhold from the other, and any settlement amount or recovery for damages shall be applied as follows: (i) first, to reimburse the parties for their expenses in connection with the litigation; and (ii) second, CASE shall receive reasonable compensation for the time of any CASE personnel (in excess of […***…] hours in aggregate) involved in the action at the request of Licensee; and (iii) third, CASE shall receive […***…] percent of any portion of any amount received from such action which was calculated on the basis of payment of a reasonable royalty to Licensee and […***…] percent of all other amounts received. For the avoidance of doubt the […***…] percent shall not be calculated on […***…].

22.2 CASE shall have the right in its sole discretion during the term of this Agreement to commence an action for infringement of the Patents against any Third Party for any infringement occurring anywhere in the world, provided that, before commencing any such action concerning products within the Field of Use, CASE shall provide Licensee not less than thirty (30) days' prior written notice of such infringement and of CASE's intent to file such action and the option to commence an action for infringement of the Patents in its own name in accordance with Section 22.1. Licensee shall have the right at its own expense to appear in such

CASE commenced action by counsel of its own selection. If CASE provides Licensee with such notice before instituting an action concerning products within the Field of Use and Licensee fails to initiate an action against such Third Party prior to the commencement of an action by CASE, then any settlement amount or recovery for damages shall […***…] and […***…].

22.3 Notwithstanding the pendency of any infringement (or other) claim or action by or against Licensee, Licensee shall have no right to terminate or suspend (or escrow) payment of any amounts required to be paid to CASE pursuant to this Agreement.

22.4 Cooperation. In any suit to enforce and/or defend the Patents pursuant to this Agreement, the party not in control of such suit shall, at the request and expense of the controlling party, cooperate in all respects and, to the extent reasonably practicable, have its employees testify when requested and make available relevant records, papers, information, samples, specimens, and the like.

23. NOTICES

Any notice under any of the provisions of this Agreement shall be deemed given when deposited in the mail, postage prepaid, registered or certified first class mail and addressed to the applicable party at the address stated on the signature page hereof, or such other address as such party shall specify for itself by like notice to other party. Each party shall transmit to the other a facsimile copy of each such notice promptly after such deposit in the mail.

24. ASSIGNMENT

Except in the instance of (a) a merger of Licensee with another entity or the sale of the Licensee (effectuated either by the sale or exchange of the Licensee's stock or the sale or transfer of substantially all of the Licensee's assets), in which the License is transferred to the surviving entity (b) the transfer of this Agreement along with or the sale or transfer of the assets of Licensee to which this Agreement relates or (c) to an Affiliate of Licensee, provided that any successor Affiliate entity must have a net asset value (using GAAP and not including the value of the Licensed Technology) of at least […***…] dollars ($[…***…]), or shall have a net asset value (using GAAP and not including the value of the Licensed Technology) of at least […***…] dollars ($[…***…]) within twelve (12) months of such assignment; if such successor entity does not have such net asset value within twelve (12) months of such assignment, the assignment shall be deemed null and void. Subject to the provisions of this Article 24, Licensee shall neither assign nor transfer this Agreement or any interest herein without the prior written consent of CASE.

25. HEADINGS

The section headings contained in this Agreement are set forth for the convenience of the parties only, do not form a part of this Agreement and are not to be considered a part hereof for the purpose of construction or interpretation hereof, or otherwise.

26. EXPORT CONTROLS

It is understood that CASE is subject to United States laws and regulations controlling the export of technical data, computer software, laboratory prototypes and other commodities (including the Arms Export Control Act, as amended and the Export Administration Act of 1979), and that its obligations hereunder are contingent on compliance with applicable United States export laws and regulations. The

transfer of certain technical data and commodities may require a license from the cognizant agency of the United States Government and/or written assurances by Member that Member shall not export data or commodities to certain foreign countries without prior approval of such agency. CASE neither represents that a license shall not be required nor that, if required, it shall be issued.

27. TECHNOLOGY TRANSFER

Within a reasonable period of time following the execution of this Agreement, CASE shall make a good faith effort to transfer to Licensee, at no additional cost, copies of relevant information regarding Licensed Technology from the following: (pre-clinical and clinical data; human safety data; preliminary efficacy data; INDs and other regulatory data and submissions; information relating to Patents, Licensed Products, or Licensed Technology; communications with the FDA, MHLW and/or EMEA (including the minutes of any meetings therewith); Clinical Trial master files, including case report forms; listings and tables of results from the Clinical Trials; treatment related serious adverse event reports from the Clinical Trials; and data and reports regarding manufacturing and drug substance relating to the Licensed Technology and/or Licensed Product(s),) ***except to the extent prohibited by governmental statutes or regulations or policies or protocols of CASE or any non-profit health care institutions affiliated with it.*** In the case of original laboratory or research notebooks CASE shall not be required to provide copies of the entire notebook, instead CASE may make copies of the relevant portions of said notebooks or provide written summaries of relevant information contained in said notebooks where appropriate. All such copies provided to Licensee under this Section 27 shall be considered Confidential Information.

28. USE OF NAMES

Unless otherwise required by law, at no time following the execution of this Agreement shall either party use the name of the other, or any person or entity affiliated with either party or discuss the terms hereof with any person or entity, without the prior written consent of the other or such person. Licensee may use CASE's name only to designate CASE as the licensor of the Licensed Technology.

(The balance of this page is intentionally left blank)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed in duplicate counterparts, each of which shall be deemed to constitute an original, effective as of the date first above written.

The undersigned verify subject to the penalties of Section 2921.13 of the Ohio Revised Code relating to unsworn falsification to authorities that they have the authority to bind to this Agreement the party on behalf of which they are executing below.

Case Western Reserve University

By: /s/ Arthur W. Roos

Title: Treasurer

Date: 9/20/06

Case Western Reserve University

By: /s/ Mark E. Coticchia

Title: VP Research & Technology Mgmt.

Date: 9/20/06

Address for Notices:

Case Western Reserve University

10900 Euclid Avenue
Cleveland, Ohio 44106, USA
Attention: Assistant Vice President for Technology Transfer

Facsimile: 216-368-0196

Tracon Pharmaceuticals, Inc.

By: /s/ Charles P. Theuer

Title: CEO

Date: 18 Sep 2006

Address for Notices:

4510 Executive Drive, Suite 330
San Diego, California 92121

Attention: Frank Taffy, Esq.

Facsimile: 858-550-0786

Attachment A

Description of Licensed Technology

[…***…]

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Attachment B

**Agreement by Subsidiary regarding the License Agreement
between Case Western Reserve University and Tracon Pharmaceuticals, Inc.
dated _____, 2006**

This Agreement is entered into by _____ (hereinafter "Licensee's Subsidiary"), a corporation having the address of _____, which represents and warrants that it is a subsidiary of Tracon Pharmaceuticals, Inc., and that more than fifty percent (50%) of the stock of Licensee's Subsidiary is owned directly by Tracon Pharmaceuticals, Inc. (or by a wholly owned Tracon Pharmaceuticals, Inc. subsidiary). Licensee's Subsidiary agrees that it is a Licensee under the attached License Agreement between Licensee and Case Western Reserve University dated _____ (hereinafter the "License Agreement") and further agrees to be bound as a Licensee and to have all of the rights and obligations of the Licensee provided by said License Agreement. This Agreement is executed by Licensee Subsidiary with the intent to be legally bound hereby.

The undersigned verifies subject to the penalties of Section 2921.13 of the Ohio Revised Code relating to unsworn falsification to authorities that he/she has the authority to bind Licensee's Subsidiary to this Agreement.

Attest: _____
Name

_____
Title

Date: _____

By: _____
Name

_____
Title

Date: _____

Exhibit 10.14

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 230.406.**

LICENCE AGREEMENT

between

LONZA SALES AG

and

TRACON PHARMACEUTICALS INC

INDEX

THIS AGREEMENT is made the 29th day of June 2009

BETWEEN

LONZA SALES AG incorporated and registered in Switzerland whose registered office is at Muenchensteinerstrasse 38, CH-4002, Basel, Switzerland (hereinafter referred to as “Lonza”), and

TRACON PHARMACEUTICALS INC, of 4510 Executive Drive, Suite 330, San Diego, CA 92121, USA, (hereinafter referred to as “Licensee”)

WHEREAS

A. Lonza is the proprietor of the System and has the right to grant certain Intellectual Property rights in relation thereto (all as hereinafter defined), and

B. The Licensee wishes to take a licence under Intellectual Property (as hereinafter defined) of which Lonza is the proprietor to commercially exploit the Product (as hereinafter defined) in the form hereunder.

NOW THEREFORE the parties hereby agree as follows:

1. Definitions

1.1 “Affiliate” means any company, corporation, limited liability company, partnership or other entity which directly or indirectly controls, is controlled by or is under common control, directly or indirectly, with the relevant party to this Agreement. “Control” means the ownership of more than fifty percent (50%) of the issued share capital of the party in question or the legal power to direct or cause the direction of the general management and policies of the party in question.

1.2 “Cell Lines” means those cell lines referred to in Clause 2.1.1(b).

1.3 “Competing Contract Manufacturer” shall mean any party who undertakes or performs more than […***…] percent ([…***…]%) of their business as a third party

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manufacturer of […***…] or any product of a similar nature to which this Agreement relates.

1.4 “Effective Date” means the date first above written.

1.5 “First Commercial Sale” means the date of the first sale or other disposal of Product for consideration by the Licensee or its sublicensee.

1.6 “Intellectual Property” means System Know-How and Patent Rights.

1.7 “Know-How” means all proprietary and confidential unpatented technical and other information, including, but without prejudice to the generality of the foregoing, ideas, concepts, trade secrets, know-how, inventions, discoveries, data, formulae, specifications, processes, procedures for experiments and tests and other protocols, results of experimentation and testing, fermentation and purification techniques and assay protocols that are not in the public domain.

1.8 "Net Selling Price" means all monies received by or on behalf of Licensee or its sublicensee hereunder in respect of the sale of Product in the Territory less the following items to the extent that they are paid or allowed and included in the invoice price, whether or not invoiced separately:

1.8.1 normal discounts actually granted, including without limitation, quantity, trade, cash and other discounts, rebates and charge-backs;

1.8.2 amounts refunded or credits allowed for Product or other goods returned or not accepted by customers;

1.8.3 packaging, transportation and insurance charges on shipments or deliveries to customers; and

1.8.4 taxes, tariffs, customs duties, surcharges and other governmental charges actually incurred and paid by Licensee or its sublicensee hereunder in connection with the sale, exportation, importation or delivery of Product or other goods to customers.

Upon any sale or other disposal of Product by or on behalf of Licensee or its sublicensee hereunder other than a bona fide arms length transaction

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exclusively for money or upon any use of the Product for purposes which do not result in a disposal of such Product in consideration of sales revenue customary in the country of use, such sale, other disposal or use shall be deemed to constitute a sale at the […***…] price in the country in which such sale, other disposal or use occurs.

For the avoidance of doubt, the supply of Product free of charge as commercial samples, or for use in research, pre-clinical or clinical studies, or to third parties for evaluation purposes, shall not be included in this provision

1.9 "Patent Rights" means the patents and applications, short particulars of which are set out in Schedule 1 hereto, and all patents and applications thereof of any kind throughout the world whether national or regional including but without prejudice to the generality of the foregoing, author certificates, inventor certificates, improvement patents, utility certificates and models and certificates of addition, and including any divisions, renewals, continuations, continuations in part, reissues, patent disclosures, improvements and extensions of reissue thereof.

1.10 "Product" means TRC-105, a GS-CHO derived chimeric IgG1 antibody directed against CD105, of which Licensee is the proprietor and which is obtained by the expression of any one gene or of any combination of genes by use of the System, or any formulation containing the same.

1.11 "Strategic Partner" means a party with whom Licensee has entered into a contractual relationship, to identify a therapeutic target, collaborate in the performance of research and development of a Product or a product of which the Strategic Partner is the Proprietor. In no event may any entity that is primarily a Competing Contract Manufacturer be deemed a Strategic Partner for the purposes of this Agreement.

1.12 "System" means Lonza's glutamine synthetase gene expression system consisting of the Cell Lines, the Vectors, and the System Know-How, whether used individually or in combination with each other. For the avoidance of doubt, any gene proprietary to Licensee inserted into the System for the purposes of producing Product does not form part of the System.

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1.13 "System Know-How" means Know-How relating directly or indirectly to the System known to Lonza from time to time, of which Lonza is the proprietor.

1.14 “Territory” means world-wide.

1.15 “Valid Claim” means a claim within the Patent Rights (including any re-issued and unexpired patents) which has not been held unenforceable or invalid by the decision of a court or other governmental agency of competent jurisdiction unappealable or unappealed within the time allowed for appeal and which has not been admitted to be invalid or unenforceable through re-issue or disclaimer or otherwise.

1.16 “Vectors” means those vectors referred to in Clause 2.1.1(a).

2. Supply of the System and System Know-How

2.1 Unless previously supplied by Lonza under a separate agreement, Lonza shall, if requested by Licensee in writing, arrange for supply […***…] ex-works Lonza’s premises, Slough, Berkshire (Incoterms 2000) to Licensee the following:

2.1.1 (a) Vectors

Approximately […***…] of vector […***…].
Approximately […***…] of vector […***…].

(b) Cell Lines

[…***…] ml vials of […***…] cell line […***…].
[…***…] ml vials of the […***…] cell line […***…].

2.1.2 System Know-How

System Know-How contained as at the date hereinabove in (a) manuals of operating procedures for the System, (b) regulatory information on CD-ROM, and (c) Vector nucleotide sequences.

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2.2 Licensee shall use the System only in the expression of Product by insertion of gene(s) coding for Product(s) into the System, and shall not use, cause the use of or permit to be used the System for any purpose not directly authorised by this Agreement.

3. Ownership of Property and Intellectual Property

3.1 It is hereby acknowledged and agreed that as between the parties any and all property and Intellectual Property in the System is vested in Lonza.

3.2 The provisions of this Clause 3 shall survive termination of this Agreement.

4. Licences

4.1 Lonza hereby grants to Licensee a world-wide non-exclusive licence (with the right to sublicense, subject to Clause 4.3 below) under the System Know-How and Patent Rights to use, develop, manufacture, market, sell, offer for sale, distribute, import and export Product in the Territory.

4.2 Save as expressly provided by Clause 2.2 above, the Licensee hereby undertakes not to make any modifications or adaptations to the System during the subsistence of this Agreement.

4.3 Subject to the provisions of this Clause 4.3, Licensee shall be entitled to grant a sublicence to the rights granted by Clause 4.1 to any one or more third parties for the purposes of any such third party producing Product for Licensee provided always:

4.3.1 Licensee shall ensure such sublicensee's use of the System, the Intellectual Property and the Product is undertaken solely for the purpose of establishing a manufacturing process for Product, or producing Product, for Licensee; and

4.3.2 The sublicensee shall not, by virtue of this Agreement, be granted any right or licence, either express or implied, under any patent or proprietary right vested in Lonza or otherwise, to use the System, the Intellectual Property or the Product other than for the purposes of

establishing a manufacturing Process for Product or producing Product for Licensee and Licensee agrees to ensure that such sublicensee shall not assign, transfer, further sublicense or otherwise make over the benefit or the burden of the rights granted to it pursuant to this Agreement; and

4.3.3 Any sublicence granted shall be expressly subject and subordinate to the terms of this Agreement, and it shall be Licensee's responsibility to ensure the strict adherence by any sublicensee hereunder to the terms and conditions of this Agreement; and

4.3.4 Prior to the grant of any sublicence pursuant to this Clause 4 Licensee shall obtain the written consent of Lonza (such consent not to be unreasonably withheld), to the grant of such sublicence.

4.4 If, on a country-by-country basis, any granted patents that form part of the Patent Rights (including any re-issued patents and unexpired patents), subsequently expire or no longer contain a Valid Claim such Patent Rights shall automatically fall outside the scope of this Agreement and the provisions of Clauses 4.1 to 4.3 shall only apply, with respect to granted patents, to those granted patents which contain a Valid Claim and form part of the Patents Rights for as long as those granted patents remain in force.

4.5 On a country-by-country basis, where no Valid Claims within the Patent Rights remain in force, the provisions of Clauses 4.1 to 4.3 shall only apply for as long as the System Know-How remains secret and substantial.

5. Payments

5.1 In consideration of the licence granted to Licensee pursuant to Clause 4.1 above, and in consideration for the right to sublicense the rights granted by Clause 4.1 pursuant to Clause 4.3, Licensee shall pay Lonza as follows:

5.1.1 in respect of Product manufactured by Lonza, a royalty of […***…] percent ([…***…]%) of the Net Selling Price;

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5.1.2 where Licensee or Licensee's Strategic Partner manufactures Product:

5.1.2.1 a payment of pounds sterling seventy five thousand (£75,000) due annually during the course of this Agreement, and being first payable upon […***…]; and

5.1.2.2 a royalty of […***…] percent ([…***…]%) of the Net Selling Price of such Product manufactured.

5.1.3 where any party other than Lonza, Licensee or Licensee's Strategic Partner manufactures Product:

5.1.3.1 a payment of pounds sterling three hundred thousand (£300,000) per sublicence due annually during the course of such sublicence, and being first payable on the […***…]; and

5.1.3.2 a royalty of […***…] percent ([…***…]%) of the Net Selling Price of such Product manufactured.

5.3 If, on a country-by-country basis, the manufacture and/or sale of the Product are not protected by a Valid Claim within the Patent Rights then in respect of sales in such countries:

(a) the royalties referred to in 5.1.1, 5.1.2.2 and 5.1.3.2 shall be due only in respect of the System Know-How;

(b) the royalties referred to in 5.1.1 and 5.1.2.2 shall be at the rate of […***…] per cent ([…***…]%) of the Net Selling Price;

(c) the royalties referred to in 5.1.3.2 shall be at the rate of […***…] per cent ([…***…]%) of the Net Selling Price

(d) such royalty shall expire twelve (12) years following the first commercial sale of the Product.

5.4 In the event Lonza is the only manufacturer of Product but Licensee wishes to secure a second source manufacturer of Product (the 'Second Source'), then provided Lonza continues to manufacture at least […***…] percent ([…***…]%) of Licensee's requirement for Product, the payment applicable to such Product as is manufactured

by the Second Source shall be that referred to in clause 5.1.1 (and not 5.1.2 or 5.1.3), namely as if such Product was manufactured by Lonza.

5.5 In the event (a) Licensee requests that Lonza (or one of its Affiliates) manufacture clinical batches (i.e. phase I, II or III) with a lead time until start of the first GMP production run of:

(i) […***…] months in respect of a production run at less than […***…]L ([…***…] litres); or

(ii) […***…] months in respect of a production run at or above […***…]L ([…***…] litres)

and Lonza does not have capacity available to initiate such production run following such time period, or (b) Licensee has entered into an agreement with Lonza (or one of its Affiliates) to manufacture Product, and Lonza (or such Affiliate) in breach of such agreement cannot manufacture due to capacity constraints or other reasons within Lonza's (or such Affiliate's) control, then the payment applicable to such Product shall be that referred to in clause 5.1.1 (and not 5.1.2 or 5.1.3), namely as if such Product was manufactured by Lonza.

6. Royalty Procedures

6.1 Licensee shall keep true and accurate records and books of account containing all data necessary for the calculation of royalties payable to Lonza. Such records and books of account shall, upon reasonable notice having been given by Lonza (which in no event shall be less than thirty (30) days prior notice), be open at reasonable times during regular business hours for inspection by an independent certified public accounting firm of nationally recognized standing, selected by Lonza and reasonably acceptable to Licensee, as reasonably necessary to verify the accuracy of the royalty reports hereunder for the […***…] calendar quarters immediately prior to the date of such notice. Such independent auditors shall agree to maintain the confidentiality of the information and materials disclosed during the audit. The independent auditor shall disclose to Lonza only whether the royalty reports are correct or not and the amount of any discrepancy. No other information shall be shared. Any such audit shall be conducted in a manner that does not interfere unreasonably with the operations of Licensee's business. Lonza may perform an audit once each calendar year. Each audit shall begin upon the date specified by Lonza within the time frame specified above, and shall be completed as soon as reasonably practicable. Lonza

shall pay the costs of the independent auditors conducting such audit, unless the results of the audit reveal an underpayment of […***…]% or more by Licensee, in which case, Licensee shall pay the reasonable out-of-pocket costs of the independent auditors. If an audit concludes that an overpayment or underpayment has occurred during the audited period, such payment shall be remitted by the party responsible for such payment to the other party within thirty (30) days after the date such auditor's written report identifying the overpayment or underpayment is delivered to the party responsible for such payment.

6.2 Licensee shall prepare a statement in respect of each calendar quarter which shall show for the immediately preceding quarter details of the sales of Product and the royalty due and payable to Lonza thereon.

Such statement shall be submitted to Lonza within forty-five (45) days after the end of the calendar quarter to which it relates, together with a remittance for the royalties due to Lonza.

6.3 All sums due under this Agreement:

6.3.1 shall be made in pounds sterling to Lonza. Payments due to Lonza in currencies other than pounds sterling shall first be calculated in the relevant local currency before being calculated at the rate of exchange in effect at the close of business on the day payment is due or made, whichever is earlier. The rate of exchange shall be the mean value of the Pound Spot Rate in London first published in the Financial Times on the day following the day for determining such rates.

6.3.2 are exclusive of any Value Added Tax or of any other applicable taxes, levies, imposts, duties and fees of whatever nature imposed by or under the authority of any government or public authority, and shall be paid by Licensee (other than taxes on Lonza's income). The parties agree to co-operate in all respects reasonably necessary to take advantage of such double taxation treaties as may be available.

6.4 Where Lonza does not receive payment of any sum by the due date, interest shall accrue thereafter on the sum due and owing to Lonza at the rate of […***…]

percent ([…***…]%) over the base rate from time to time of National Westminster Bank plc, interest to accrue on a day-to-day basis without prejudice to Lonza's right to receive payment on the due date.

7. Liability and Warranties

7.1 Lonza gives no representation or warranty that the Patent Rights will be valid nor that the exercise of the rights granted to Licensee hereunder will not infringe other patent rights or intellectual property rights vested in Lonza or any third party.

7.2 Lonza warrants that (a) it has the power, authority and legal right to enter into this Agreement and to grant to Licensee the license rights purported to be granted hereby, (b) this Agreement and the license rights purported to be granted hereby do not conflict with, or constitute a default under, any contractual obligation of it, (c) the patents included in the Patent Rights are the only patents that must be licensed from Lonza and/or its Affiliates in order to operate the System, (d) the System Know-How is the only Know-How that must be licensed from Lonza and/or its Affiliates in order to operate the System, and (e) it has not received any suit or claim alleging that the Intellectual Property infringes the intellectual property rights of a third party.

7.3 Licensee acknowledges that it may require licences under Lonza patent rights other than those herein licensed or under third party patent rights (including those vested in Affiliates of Lonza) in order to use enhancements to or optimization tools for the System. It is hereby agreed that it shall be the Licensee's responsibility to satisfy itself as to the need for such licences and if necessary to obtain such licences. No licence is granted save as expressly provided herein and no licence in addition thereto shall be deemed to have arisen or be implied by way of estoppel or otherwise.

7.4 Each Party ("Indemnifying Party") shall indemnify and hold harmless the other Party ("Indemnified Party") and its officers, employees and agents at all times in respect of any and all losses, damages, costs and expenses suffered or incurred as a result of any contractual, tortious or other claims or proceedings by third parties against Indemnified Party arising out of the Indemnifying Party's breach of this Agreement, including breach of representations and warranties, violation of applicable law, negligence or wilful misconduct.

7.5 With respect to product liability claims or proceedings, the following shall apply: (a) except to the extent provided in (b) below, Licensee shall indemnify and hold harmless Lonza and its officers, employees and agents at all times in

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respect of any and all losses, damages, costs and expenses suffered or incurred as a result of any tortious claims or proceedings by third parties against Lonza, its officers, employees and agents for death or bodily injury to the extent relating to the Product, and (b) Lonza shall indemnify and hold harmless Licensee and its officers, employees and agents at all times in respect of any and all losses, damages, costs and expenses suffered or incurred as a result of any tortious claims or proceedings by third parties against Licensee, its officers, employees and agents for death or bodily injury relating to the Product to the extent such claims or proceedings result from defects in the materials provided by Lonza, or from Lonza breach of this Agreement.

7.6 Any condition or warranty other than those relating to title which might otherwise be implied or incorporated within this Agreement by reason of statute or common law or otherwise is hereby expressly excluded.

7.7 IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR LOSS OF PROFITS, SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS AGREEMENT.

7.8 The terms of this Clause 7 shall survive expiration or termination of this Agreement for whatever reason.

8. Confidentiality

8.1 Licensee expressly acknowledges that the System Know-How and any other Know-How with which it is supplied by Lonza pursuant to this Agreement is supplied in circumstances imparting an obligation of confidence and Licensee agrees to keep such Know How or System Know-How secret and confidential and to respect Lonza's proprietary rights

therein and to use the same for the sole purpose of this Agreement and not during the period of this Agreement or at any time for any reason whatsoever to disclose or permit to be disclosed such Know How or System Know-How to any third party other than its sublicensee hereunder for use in accordance with the terms of this Agreement. Licensee shall procure that only its employees and agents and employees and agents of its sublicensee hereunder shall have access to the

Know How or System Know-How on a need to know basis and that all such employees and agents shall be informed of their secret and confidential nature and shall be subject to the same obligations as Licensee and its sublicensee hereunder pursuant to this Clause 8.1.

8.2 Licensee hereby undertakes and agrees to keep the System secure and safe from loss, damage, theft, misuse and unauthorised access and shall procure that the System shall be made available only to employees and agents of Licensee and employees and agents of its sublicensee hereunder on a need to know basis and subject to the same obligations of confidence as provided in Clause 8.1 hereof, and to use the same for the sole purpose of this Agreement.

8.3 Both parties undertake and agree not to at any time for any reason whatsoever disclose or permit to be disclosed to any third party or otherwise make use of or permit to be made use of any trade secrets or confidential information or materials relating to the business affairs or finances of the other or of any suppliers, agents, distributors, licensees or other customers of the other which comes into their possession pursuant to this Agreement.

8.4 The obligations of confidence referred to in this Clause 8 shall not extend to any information which the receiving party demonstrates:

8.4.1 is or shall become generally available to the public otherwise than by reason of a breach by the recipient party of such information of the provisions of this Clause 8;

8.4.2 is known to the recipient party of such information and is at its free disposal prior to its receipt from the other;

8.4.3 is subsequently disclosed to the recipient party without obligations of confidence by a third party owing no such obligation of confidentiality to the disclosing party; and

8.4.4 Lonza or Licensee may be required to disclose to a government agency for the purpose of any statutory, regulatory or similar legislative requirement applicable to the production of Product or to

meet the requirements of any Stock Exchange to which the parties may be subject, but only to the extent such disclosure is required, and subject to obligations of secrecy wherever possible; and

8.4.5 can be demonstrated by competent written evidence as having been independently developed by the recipient of the information in question without access to or use or knowledge of the information of the disclosing party.

8.5 The obligations of both parties under this Clause 8 shall survive the expiration or termination of this Agreement for whatever reason.

9. Intellectual Property Enforcement

9.1 Lonza hereby undertakes and agrees that at its own cost and expense it will:

9.1.1 prosecute or procure prosecution of such of the Patent Rights which are patent applications diligently so as to secure the best commercial advantage obtainable, as determined by Lonza in its commercially reasonable discretion, and will pursue, as determined by Lonza in its commercially reasonable discretion, all necessary actions against any third party that Lonza reasonably believes is infringing, misappropriating or violating any Intellectual Property; and

9.1.2 pay or procure payment of all renewal fees in respect of the Patent Rights valid and subsisting for the full term thereof and in particular will procure such renewal of the registrations thereof as may be necessary from time to time so far as it is reasonable to do so with particular reference to commercial considerations.

9.2 Licensee shall promptly notify Lonza in writing of any infringement or improper or unlawful use of or of any challenge to the validity of the Patent Rights and/or Know-How of which Licensee becomes aware. Lonza undertakes and agrees to take all such steps and proceedings and to do all other acts and things as may in Lonza's sole discretion be necessary to restrain any such infringement or improper or unlawful use or to defend such challenge to validity and Licensee shall permit

Lonza to have the sole conduct of any such steps and proceedings including the right to settle them whether or not Licensee is a party to them. Licensee shall have the right at its own cost and for its own benefit to initiate, prosecute and control the enforcement of the the Patent Rights against infringement by a Third Party in the Territory if all of the following conditions are fulfilled (a) the product manufactured through the infringing activity is a competing product to the Product, (b) Lonza has not granted rights to third parties which prevent Lonza from granting such a right to enforce to Licensee, and (c) Lonza does not initiate proceedings within sixty (60) days of being requested to do so by Licensee.

10. Term and Termination

10.1 Unless terminated earlier in accordance with the provisions of this Clause 10 or Clause 14, this Agreement shall continue in force in each country of the world, until expiry of the last Valid Claim, or for so long as the System Know-How is identified and remains secret and substantial, whichever is later.

10.2 Licensee may terminate this Agreement for any reason by giving sixty (60) days notice in writing to Lonza.

10.3 Either Lonza or Licensee may terminate this Agreement forthwith by notice in writing to the other upon the occurrence of any of the following events:

10.3.1 if the other commits a breach of this Agreement which in the case of a breach capable of remedy shall not have been remedied within thirty (30) days of the receipt by the other of a notice identifying the breach and requiring its remedy.

10.3.2 if the other enters into compulsory or voluntary liquidation (other than for the purpose of effecting a reconstruction or amalgamation in such manner that the company resulting from such reconstruction or amalgamation if a different legal entity shall agree to be bound by and assume the obligations of the relevant party under this Agreement) or has a receiver appointed over all or any part of its assets or takes or

suffers any similar action in consequence of a debt, or ceases for any reason to carry on business.

10.4 If at any time during this Agreement Licensee knowingly and directly opposes or assists any third party to oppose the grant of letters patent or any patent application within any of the Patent Rights, or knowingly and directly disputes assists any third party to dispute the validity of any patent within any of the Patent Rights or any of the claims thereof, in each case except as required by legal process or court order, Lonza shall be entitled at any time thereafter to terminate all or any of the licences granted hereunder forthwith by notice to Licensee.

10.5 If this Agreement is terminated for any reason any and all licences granted hereunder shall terminate with effect from the date of termination and Licensee shall destroy all elements of the System and Product forthwith and shall certify such destruction immediately thereafter in writing to Lonza.

10.6 Termination for whatever reason or expiration of this Agreement shall not affect the accrued rights of the parties arising in any way out of this Agreement as at the date of termination. The right to recover damages against the other and all provisions which are expressed to survive this Agreement shall remain in full force and effect.

11. Assignment

11.1 Save as expressly provided by Clause 4, neither party shall be entitled to assign, transfer, charge or in any way make over the benefit and/or the burden of this Agreement without the prior written consent of the other which consent shall not be unreasonably withheld or delayed, save that either party shall be entitled without the prior written consent of the other party to assign, transfer, charge, sub-contract, deal with or in any other manner make over the benefit and/or burden of this Agreement to an Affiliate or to any 50/50 joint venture company of which Lonza or Licensee, as the case may be, is the beneficial owner of not less than fifty percent (50%) of the issued share capital thereof or to any company with which that party may merge or consolidate, to any company to which that party may transfer substantially all of its assets and undertakings to which this agreement relates. A change in control shall not be deemed to be an assignment, transfer, charge or make over.

11.2 This Agreement shall be binding upon the successors and assigns of the parties and the name of a party appearing herein shall be deemed to include the names of its successors and assigns provided always that nothing herein shall permit any assignment by either party except as expressly provided herein.

12. Governing Law and Jurisdiction

12.1 The validity, construction and performance of this Agreement shall be governed by English law and the parties submit to the non-exclusive jurisdiction of the courts of England and Wales.

12.2 Either party shall have the right to take proceedings in any other jurisdiction for the purposes of enforcing a judgement or order obtained from any court of competent jurisdiction.

13. Force Majeure

Neither party shall be in breach of this Agreement if there is any total or partial failure of performance by it of its duties and obligations under this Agreement occasioned by any act of God, including without limitation, fire, act of government or state, war, civil commotion, insurrection, embargo, epidemic, terrorism or earthquake, prevention from or hindrance in obtaining any raw materials, energy or other supplies, labour disputes of whatever nature and any other reason beyond the control of either party. If either party is unable to perform its duties and obligations under this Agreement as a direct result of the effect of one of the reasons set out in this Clause 13 such party shall give written notice to the other of such inability stating the reason in question. The operation of this Agreement shall be suspended during the period (and only during the period) in which the reason continues. Forthwith upon the reason ceasing to exist the party relying upon it shall give written notice to the other of this fact. If the reason continues for a period of more than one hundred eighty (180) days and substantially affects the commercial basis of this Agreement the party not claiming under this Clause 13 shall have the right to terminate this Agreement by giving written notice of such termination to the other party.

14. Illegality

14.1 If any provision or term of this Agreement or any part thereof shall become or be declared illegal, invalid or unenforceable for any reason whatsoever including but without limitation by reason of the provisions of any legislation or other provisions having the force of law or by reason of any decision of any Court or other body or authority having jurisdiction over the parties hereto or this Agreement including the EC Commission or the European Court of Justice:

(i) such provision shall, so far as it is illegal, invalid or unenforceable, be given no effect by the Parties and shall be deemed not to be included in this Agreement;

(ii) the other provisions of this Agreement shall be binding on the Parties as if such provision was not included therein; and

(iii) the Parties agree to negotiate in good faith to amend such provision to the extent possible for incorporation herein in such reasonable manner as most closely achieves the intention of the Parties without rending such provision invalid or unenforceable.

15. Miscellaneous

15.1 This Agreement embodies and sets forth the entire agreement and understanding of the parties and supersedes all prior oral and written agreements, understanding or arrangements relating to the subject matter of this Agreement. Neither party shall be entitled to rely on any agreement, understanding or arrangement which is not expressly set forth in this Agreement.

15.2 This Agreement shall not be amended, modified, varied or supplemented except in writing signed by duly authorised representatives of the parties.

15.3 No failure or delay on the part of either party hereto to exercise any right or remedy under this Agreement shall be construed or operated as a waiver thereof nor shall any single or partial exercise of any right or remedy under this Agreement preclude the exercise of any other right or remedy or preclude the further exercise of such right or remedy as the case may be. The rights and remedies provided in this Agreement are cumulative and are not exclusive of any rights or remedies provided by law.

15.4 Except as required by law, the text of any press release or other communication to be published by or in the media whether of a scientific nature or otherwise and concerning this Agreement shall require the prior written approval of

Lonza and Licensee.

15.5 Each of the parties hereto shall be responsible for its respective legal and other costs incurred in relation to the preparation of this Agreement.

15.6 The parties to this Agreement do not intend that any term hereof should be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999, or by any other statute or common-law principle, by any person who is not a party to this Agreement.

16. Notice

16.1 Any notice or other document to be given under this Agreement shall be in writing and shall be deemed to have been duly given if left at or sent by registered post or by a reputable overnight courier to a party or delivered in person to a party at the address set out below for such party or such other address as the party may from time to time designate by written notice to the other(s):

Address of Lonza
Lonza Sales AG, 228 Bath Road, Slough, Berkshire SL1 4DX
Facsimile: 01753 777001
For the attention of the Head of Legal Services

Address of Licensee
TRACON PHARMACEUTICALS INC, of 4510 Executive Drive, Suite 330, San Diego, CA 92121, USA
Facsimile: 001-858-550-0780
For the attention of Vice President of Product Development

16.2 All such notices and documents shall be in the English language. Any such notice or other document shall be effective upon actual receipt.

17. Interpretation

17.1 The headings in this Agreement are inserted only for convenience and shall not affect the construction hereof.

17.2 Where appropriate words denoting a singular number only shall include the plural and vice versa.

17.3 Reference to any statute or statutory provision includes a reference to the statute or statutory provision as from time to time amended, extended or re-enacted.

AS WITNESS the hands of the duly authorised representatives of the parties hereto

Signed for and on behalf of
LONZA SALES AG

...../s/ Gerry Kenney.....
GERRY KENNEDY

....Authorised Signatory..... TITLE

Signed for and on behalf of LONZA SALES AG	...../s/ K.B. Fallen..... KAREN FALLEN ....Authorised Signatory..... TITLE
Signed for and on behalf of TRACON PHARMACEUTICALS INC	...../s/ Sharon Real..... ...VP of Product Dev..... TITLE

SCHEDULE 1

PATENT RIGHTS

[…***…]

***Confidential Treatment Requested

[…***…]

***Confidential Treatment Requested

[…***…]

***Confidential Treatment Requested

THIS WARRANT AND THE SHARES 1SSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"). OR THE SECURITIES LAWS OF ANY STATE. AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

WARRANT TO PURCHASE STOCK

Company: TRACON PHARMACEUTICALS, INC.
Number of Shares: 37,500
Type/Series of Stock: Series A Preferred
Warrant Price: $2.00 per share
Issue Date: November 14, 2013
Expiration Date: November 14, 2023 See also Section 5.1(b).
Credit Facility: This Warrant to Purchase Stock ("**Warrant**") is issued in connection with that certain Loan and Security Agreement of even date herewith between Silicon Valley Bank and the Company (the "**Loan Agreement**").

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, SILICON VALLEY BANK (together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, "**Holder**") is entitled to purchase the number of fully paid and non-assessable shares (the "**Shares**") of the above-stated Type/Series of Stock (the "**Class**") of the above-named company the "**Company**") at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant. Reference is made to Section 5.4 of this Warrant whereby Silicon Valley Bank shall transfer this Warrant to its parent company, SVB Financial Group.

SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time exercise this Warrant, in whole or in part, by delivering to the Company the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached hereto as Appendix 1 and, unless Holder is exercising this Warrant pursuant to a cashless exercise set forth in Section 1.2, a check, wire transfer of same-day funds (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Cashless Exercise. On any exercise of this Warrant, in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 1.1 above, but otherwise in accordance with the requirements of Section 1.1, Holder may elect to receive Shares equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non-assessable Shares as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

X = the number of Shares to be issued to the Holder;

Y = the number of Shares with respect to which this Warrant is being exercised (inclusive of the Shares surrendered to the Company in payment of the aggregate Warrant Price);

A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share; and

B = the Warrant Price.

1.3 Fair Market Value. If the Company's common stock is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "**Trading Market**") and the Class is common stock, the fair market value of a Share shall be the closing price or last sale price of a share of common stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's common stock is then traded in a Trading Market and the Class is a series of the Company's convertible preferred stock, the fair market value of a Share shall be the closing price or last sale price of a share of the Company's common stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company multiplied by the number of shares of the Company's common stock into which a Share is then convertible. If the Company's common stock is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Within a reasonable time after Holder exercises this Warrant in the manner set forth in Section 1.1 or 1.2 above, the Company shall deliver to Holder a certificate representing the Shares issued to Holder

upon such exercise and, if this Warrant has not been fully exercised and has not expired, a new warrant of like tenor representing the Shares not so acquired.

1.5 Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form, substance and amount to the Company or, in the case of mutilation, on surrender of this Warrant to the Company for cancellation, the Company shall, within a reasonable time, execute and deliver to Holder, in lieu of this Warrant, a new warrant of like tenor and amount.

1.6 Treatment of Warrant Upon Acquisition of Company.

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization; or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "**Cash/Public Acquisition**"), either (i) Holder shall exercise this Warrant pursuant to Section 1.1 and/or 1.2 and such exercise will be deemed effective immediately prior to and contingent upon the consummation of such Acquisition or (ii) if Holder elects not to exercise the Warrant, this Warrant will expire immediately prior to the consummation of such Acquisition.

(c) The Company shall provide Holder with written notice of its request relating to the Cash/Public Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated Cash/Public Acquisition giving rise to such notice), which is to be delivered to Holder not less than seven (7) Business Days prior to the closing of the proposed Cash/Public Acquisition. In the event the Company does not provide such notice, then if, immediately prior to the Cash/Public Acquisition, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon such exercise to the Holder and Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof.

(d) Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(e) As used in this Warrant, "**Marketable Securities**" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded in Trading Market, and (iii) following the closing of such Acquisition, Holder would not be restricted from publicly re-selling all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise or convert this Warrant in full on or prior to the closing of such Acquisition, except to the extent that any such restriction (x) arises solely under federal or state securities laws, rules or regulations, and (y) does not extend beyond six (6) months from the closing of such Acquisition.

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend or distribution on the outstanding shares of the Class payable in common stock or other securities or property (other than cash), then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without additional cost to Holder, the total number and kind of securities and property which Holder would have received had Holder owned the Shares of record as of the date the dividend or

distribution occurred. If the Company subdivides the outstanding shares of the Class by reclassification or otherwise into a greater number of shares, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be

proportionately decreased. If the outstanding shares of the Class are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any event whereby all of the outstanding shares of the Class are reclassified, exchanged, combined, substituted, or replaced for, into, with or by Company securities of a different class and/or series, then from and after the consummation of such event, this Warrant will be exercisable for the number, class and series of Company securities that Holder would have received had the Shares been outstanding on and as of the consummation of such event, and subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, combinations substitutions, replacements or other similar events.

2.3 Conversion of Preferred Stock. If the Class is a class and series of the Company's convertible preferred stock, in the event that all outstanding shares of the Class are converted, automatically or by action of the holders thereof, into common stock pursuant to the provisions of the Company's Certificate of Incorporation, including, without limitation, in connection with the Company's initial, underwritten public offering and sale of its common stock pursuant to an effective registration statement under the Act (the "**IPO**"), then from and after the date on which all outstanding shares of the Class have been so converted, this Warrant shall be exercisable for such number of shares of common stock into which the Shares would have been converted had the Shares been outstanding on the date of such conversion, and the Warrant Price shall equal the Warrant Price in effect as of immediately prior to such conversion divided by the number of shares of common stock into which one Share would have been converted, all subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant.

2.4 Adjustments for Diluting Issuances. Without duplication of any adjustment otherwise provided for in this Section 2, the number of shares of common stock issuable upon conversion of the Shares shall be subject to anti-dilution adjustment from time to time in the manner set forth in the Company's Articles or Certificate of Incorporation as if the Shares were issued and outstanding on and as of the date of any such required adjustment.

2.5 No Fractional Share. No fractional Share shall be issuable upon exercise of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise of the Warrant, the Company shall eliminate such fractional Share interest by paying Holder in cash the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 1.3 above) of a full Share, less (ii) the then-effective Warrant Price.

2.6 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Class and/or number of Shares, the Company, at the Company's expense, shall notify Holder in writing within a reasonable time setting forth the adjustments to the Warrant Price, Class and/or number of Shares and facts upon which such adjustment is based. The Company shall, upon written request from Holder, furnish Holder with a certificate of its Chief Financial Officer, including computations of such

adjustment and the Warrant Price, Class and number of Shares in effect upon the date of such adjustment.

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than the price per share at which shares of the Class were last sold and issued prior to the Issue Date hereof in an arms-length transaction in which at least $500,000 of such shares were sold.

(b) All Shares which may be issued upon the exercise of this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of shares of the Class, common stock and other securities as will be sufficient to permit the exercise in full of this Warrant and the conversion of the Shares into common stock or such other securities.

(c) The Company's capitalization table attached hereto as Schedule 1 is true and complete, in all material respects, as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time to:

(a) declare any dividend or distribution upon the outstanding shares of the Class or common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;

(b) offer for subscription or sale pro rata to the holders of the outstanding shares of the Class any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Class;

(d) effect an Acquisition or to liquidate, dissolve or wind up; or

(e) effect an IPO;

then, in connection with each such event, the Company shall give Holder:

(1) at least seven (7) Business Days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Class will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) and (b) above;

(2) in the case of the matters referred to in (c) and (d) above at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event); and

(3) with respect to the IPO, at least seven (7) Business Days prior written notice of the date on which the Company proposes to file its registration statement in connection therewith.

Reference is made to Section 1.6(c) whereby this Warrant will be deemed to be exercised pursuant to Section 1.2 hereof if the Company does not give written notice to Holder of a Cash/Public Acquisition as required by the terms hereof. Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder are being acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise hereof have not been registered under the Act in reliance upon a specific exemption therefrom,

which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available. Holder is aware of the provisions of Rule 144 promulgated under the Act.

4.6 Lock-Up Agreement. The Holder agrees that the Shares shall be subject to the Lock-Up Agreement restrictions contained in Section 1.14 of the Investors' Rights Agreement, dated March 28, 2011, between the Company and the investors listed on Exhibit A attached thereto, as amended to date and as the same may be amended, restated or modified from time to time.

4.7 Drag-Along Provision. As a condition to the issuance of any Shares upon exercise of this Warrant, Holder shall execute a counterpart signature page to the Right of First Refusal, Co-Sale and Drag-Along Agreement, dated March 28, 2011, among the Company and the persons or entities listed on Exhibit A and Exhibit B thereto as a Stockholder thereunder for the sole purpose of being bound by the Drag-Along Rights provision contained in Section 5 thereof.

4.8 No Voting Rights. Holder, as a Holder of this Warrant, will not have any voting rights until the exercise of this Warrant.

SECTION 5. MISCELLANEOUS.

5.1 Term and Automatic Conversion Upon Expiration.

(a) Term. Subject to the provisions of Section 1.6 above, this Warrant is exercisable in whole or in part at any time and from time to time on or before 6:00 PM, Pacific time, on the Expiration Date and shall be void thereafter.

(b) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

5.2 Legends. The Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

> THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY THE ISSUER TO SILICON VALLEY BANK DATED NOVEMBER 14, 2013, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD OF UP TO 180 DAYS AFTER THE EFFECTIVE DATE OF THE ISSUER'S INITIAL REGISTRATION STATEMENT FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE ISSUER'S PRINCIPAL OFFICE. SUCK LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES.
>
> THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A DRAG-ALONG PROVISION CONTAINED IN A CERTAIN RIGHT OF FIRST REFUSAL, CO-SALE AND DRAG-ALONG AGREEMENT BY AND AMONG THE SHAREHOLDER, THE COMPANY AND CERTAIN HOLDERS OF STOCK OF THE COMPANY. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to SVB Financial Group (Silicon Valley Bank's parent company) or any other affiliate of Holder, provided that any such transferee is an "accredited investor" as defined in Regulation D promulgated under the Act. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144 promulgated under the Act.

5.4 Transfer Procedure. After receipt by Silicon Valley Bank of the executed Warrant, Silicon Valley Bank will transfer all of this Warrant to its parent company, SVB Financial Group. By its acceptance of this Warrant, SVB Financial Group hereby makes to the Company each of the representations and warranties set forth in Section 4 hereof and agrees to be bound by all of the terms and conditions of this Warrant as if the original Holder hereof. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable directly or indirectly, upon conversion of the Shares, if any) to

any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable); and provided further, that any subsequent transferee other than SVB Financial Group shall agree in writing with the Company to be bound by all of the terms and conditions of this Warrant. Notwithstanding any contrary provision herein, at all times prior to the IPO, Holder may not, without the Company's prior written consent, transfer this Warrant or any portion hereof, or any Shares issued upon any exercise hereof, or any shares or other securities issued upon any conversion of any Shares issued upon any exercise hereof, to any person or entity who directly competes with the Company, except in connection with an Acquisition of the Company by such a direct competitor.

5.5 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail and such receipt is confirmed in writing by the recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

SVB Financial Group
Attn: Treasury Department
3003 Tasman Drive, HC 215
Santa Clara, CA 95054
Telephone: (408) 654-7400
Facsimile: (408) 988-8317
Email address: derivatives@svb.com

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

Tracon Pharmaceuticals, Inc.
Attn: H. Casey Logan, Chief Business Officer
8910 University Center Lane, Suite 700
San Diego, CA 92122
Telephone: (858) 550-0780, Ext. 236
Facsimile:_____
Email: clogan@traconpharma.com

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated (either generally or in a particular instance and either retroactively or prospectively) only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Counterparts; Facsimile/Electronic Signatures. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement. Any signature page delivered electronically or by facsimile shall be binding to the same extent as an original signature page with regards to any agreement subject to the terms hereof or any amendment thereto.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

5.10 Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

5.11 Business Days. "**Business Day**" is any day that is not a Saturday, Sunday or a day on which Silicon Valley Bank is closed.

[Remainder of page left blank intentionally]

[Signature page follows]

IN WITNESS WHEREOF, the parties have caused this Warrant to Purchase Stock to be executed by their duly authorized representatives effective as of the Issue Date written above.

"COMPANY"

TRACON PHARMACEUTICALS, INC.

By: /s/ Charles Theuer

Name: Charles Theuer
(Print)
Title: CEO

"HOLDER"

SILICON VALLEY BANK

By: /s/ Kevin Wallace

Name: Kevin Wallace
(Print)
Title: Vice President

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right purchase _____ shares of the Common/Series _____ Preferred [circle one] Stock of TRACON PHARMACEUTICALS, INC. (the "**Company**") in accordance with the attached Warrant To Purchase Stock, and tenders payment of the aggregate Warrant Price for such shares as follows:

[ ] check in the amount of $_____ payable to order of the Company enclosed herewith

[ ] Wire transfer of immediately available funds to the Company's account

[ ] Cashless Exercise pursuant to Section 1.2 of the Warrant

[ ] Other [Describe] _____

2. Please issue a certificate or certificates representing the Shares in the name specified below:

_____
Holder's Name

_____

_____
(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Section 4 of the Warrant to Purchase Stock as of the date hereof.

HOLDER;

_____

By: _____
Name: _____

Title: _____

(Date): _____

Appendix 1

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

WARRANT TO PURCHASE STOCK

Company: TRACON PHARMCEUTICALS, INC.
Number of Shares: 112,500
Type/Series of Stock: Series A Preferred
Warrant Price: $2.00 per share
Issue Date: June 4, 2014
Expiration Date: June 4, 2024 See also Section 5.1(b).

Credit Facility: This Warrant to Purchase Stock ("**Warrant**") is issued in connection with that certain Loan and Security Agreement as of November 14, 2013, between Silicon Valley Bank and the Company (as amended, the "**Loan Agreement**").

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, SILICON VALLEY BANK (together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, "**Holder**") is entitled to purchase the number of fully paid and non-assessable shares (the "**Shares**") of the above-stated Type/Series of Stock (the "**Class**") of the above-named company (the "**Company**") at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant. Reference is made to Section 5.4 of this Warrant whereby Silicon Valley Bank shall transfer this Warrant to its parent company, SVB Financial Group.

SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time exercise this Warrant, in whole or in part, by delivering to the Company the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached hereto as Appendix 1 and, unless Holder is exercising this Warrant pursuant to a cashless exercise set forth in Section 1.2, a check, wire transfer of same-day funds (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Cashless Exercise. On any exercise of this Warrant, in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 1.1 above, but otherwise in accordance with the requirements of Section 1.1, Holder may elect to receive Shares equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non-assessable Shares as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

X = the number of Shares to be issued to the Holder;
Y = the number of Shares with respect to which this Warrant is being exercised (inclusive of the Shares surrendered to the Company in payment of the aggregate Warrant Price);
A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share; and
B = the Warrant Price.

1.3 Fair Market Value. If the Company's common stock is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "**Trading Market**") and the Class is common stock, the fair market value of a Share shall be the closing price or last sale price of a share of common stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's common stock is then traded in a Trading Market and the Class is a series of the Company's convertible preferred stock, the fair market value of a Share shall be the closing price or last sale price of a share of the Company's common stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company multiplied by the number of shares of the Company's common stock into which a Share is then convertible. If the Company's common stock is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Within a reasonable time after Holder exercises this Warrant in the manner set forth in Section 1.1 or 1.2 above, the Company shall deliver to Holder a certificate representing the Shares issued to Holder upon such exercise and, if this Warrant has not been fully exercised and has not expired, a new warrant of like tenor representing the Shares not so acquired.

1.5 Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form, substance and amount to the Company or, in the case of mutilation, on surrender of this Warrant to the Company for cancellation, the Company shall, within a reasonable time, execute and deliver to Holder, in lieu of this Warrant, a new warrant of like tenor and amount.

1.6 Treatment of Warrant Upon Acquisition of Company.

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of

the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization; or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "**Cash/Public Acquisition**"), and the fair market value of one Share as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date immediately prior to such Cash/Public Acquisition, and Holder has not exercised this Warrant pursuant to Section 1.1 above as to all Shares, then this Warrant shall automatically be deemed to be Cashless Exercised pursuant to Section 1.2 above as to all Shares effective immediately prior to and contingent upon the consummation of a Cash/Public Acquisition. In connection with such Cashless Exercise, Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon exercise. In the event of a Cash/Public Acquisition where the fair market value of one Share as determined in accordance with Section 1.3 above would be less than the Warrant Price in effect immediately prior to such Cash/Public Acquisition, then this Warrant will expire immediately prior to the consummation of such Cash/Public Acquisition.

(c) Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(d) As used in this Warrant, "**Marketable Securities**" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded in Trading Market, and (iii) following the closing of such Acquisition, Holder would not be restricted from publicly re-selling all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise or convert this Warrant in full on or prior to the closing of such Acquisition, except to the extent that any such restriction (x) arises solely under federal or state securities laws, rules or regulations, and (y) does not extend beyond six (6) months from the closing of such Acquisition.

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend or distribution on the outstanding shares of the Class payable in common stock or other securities or property (other than cash), then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without additional cost to Holder, the total number and kind of securities and property which Holder would have received had Holder owned the Shares of record as of the date the dividend or distribution occurred. If the Company subdivides the outstanding shares of the Class by reclassification or otherwise into a greater number of shares, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares of the Class are combined or consolidated, by reclassification or otherwise, into a lesser number

of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any event whereby all of the outstanding shares of the Class are reclassified, exchanged, combined, substituted, or replaced for, into, with or by Company securities of a different class and/or series, then from and after the consummation of such event, this Warrant will be exercisable for the number, class and series of Company securities that Holder would have received had the Shares been outstanding on and as of the consummation of such event, and subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, combinations substitutions, replacements or other similar events.

2.3 Conversion of Preferred Stock. If the Class is a class and series of the Company's convertible preferred stock, in the event that all outstanding shares of the Class are converted, automatically or by action of the holders thereof, into common stock pursuant to the provisions of the Company's Certificate of Incorporation, including, without limitation, in connection with the Company's initial, underwritten public offering and sale of its common stock pursuant to an effective registration statement under the Act (the "**IPO**"), then from and after the date on which all outstanding shares of the Class have been so converted, this Warrant shall be exercisable for such number of shares of common stock into which the Shares would have been converted had the Shares been outstanding on the date of such conversion, and the Warrant Price shall equal the Warrant Price in effect as of immediately prior to such conversion divided by the number of shares of common stock into which one Share would have been converted, all subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant.

2.4 Adjustments for Diluting Issuances. Without duplication of any adjustment otherwise provided for in this Section 2, the number of shares of common stock issuable upon conversion of the Shares shall be subject to anti-dilution adjustment from time to time in the manner set forth in the Company's Articles or Certificate of Incorporation as if the Shares were issued and outstanding on and as of the date of any such required adjustment.

2.5 No Fractional Share. No fractional Share shall be issuable upon exercise of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise of the Warrant, the Company shall eliminate such fractional Share interest by paying Holder in cash the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 1.3 above) of a full Share, less (ii) the then-effective Warrant Price.

2.6 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Class and/or number of Shares, the Company, at the Company's expense, shall notify Holder in writing within a reasonable time setting forth the adjustments to the Warrant Price, Class and/or number of Shares and facts upon which such adjustment is based. The Company shall, upon written request from Holder, furnish Holder with a certificate of its Chief Financial Officer, including computations of such adjustment and the Warrant Price, Class and number of Shares in effect upon the date of such adjustment.

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than the price per share at which shares of the Class were last sold and issued prior to the Issue Date hereof in an arms-length transaction in which at least $500,000 of such shares were sold.

(b) All Shares which may be issued upon the exercise of this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of shares of the Class, common stock and other securities as will be sufficient to permit the exercise in full of this Warrant and the conversion of the Shares into common stock or such other securities.

(c) The Company's capitalization table attached hereto as Schedule 1 is true and complete, in all material respects, as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time to:

(a) declare any dividend or distribution upon the outstanding shares of the Class or common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;

(b) offer for subscription or sale pro rata to the holders of the outstanding shares of the Class any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Class;

(d) effect an Acquisition or to liquidate, dissolve or wind up; or

(e) effect an IPO;

then, in connection with each such event, the Company shall give Holder:

(1) at least seven (7) Business Days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Class will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) and (b) above;

(2) in the case of the matters referred to in (c) and (d) above at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the

occurrence of such event and such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such event giving rise to the notice); and

(3) with respect to the IPO, at least seven (7) Business Days prior written notice of the date on which the Company proposes to file its registration statement in connection therewith.

Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder are being acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise hereof must be held indefinitely unless subsequently registered under the Act and qualified

under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available. Holder is aware of the provisions of Rule 144 promulgated under the Act.

4.6 Lock-Up Agreement. The Holder agrees that the Shares shall be subject to the Lock-Up Agreement restrictions contained in Section 1.14 of the Investors' Rights Agreement, dated March 28, 2011, between the Company and the investors listed on Exhibit A attached thereto, as amended to date and as the same may be amended, restated or modified from time to time.

4.7 Drag-Along Provision. As a condition to the issuance of any Shares upon exercise of this Warrant, Holder shall execute a counterpart signature page to the Right of First Refusal, Co-Sale and Drag-Along Agreement, dated March 28, 2011, among the Company and the persons or entities listed on Exhibit A and Exhibit B thereto as a Stockholder thereunder for the sole purpose of being bound by the Drag-Along Rights provision contained in Section 5 thereof.

4.8 No Voting Rights. Holder, as a Holder of this Warrant, will not have any voting rights until the exercise of this Warrant.

SECTION 5. MISCELLANEOUS.

5.1 Term and Automatic Conversion Upon Expiration.

(a) Term. Subject to the provisions of Section 1.6 above, this Warrant is exercisable in whole or in part at any time and from time to time on or before 6:00 PM, Pacific time, on the Expiration Date and shall be void thereafter.

(b) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

5.2 Legends. The Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY THE ISSUER TO SILICON VALLEY BANK DATED JUNE 4, 2014, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD OF UP TO 180 DAYS AFTER THE EFFECTIVE

DATE OF THE ISSUER'S INITIAL REGISTRATION STATEMENT FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE ISSUER'S PRINCIPAL OFFICE. SUCK LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES.

THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A DRAG-ALONG PROVISION CONTAINED IN A CERTAIN RIGHT OF FIRST REFUSAL, CO-SALE AND DRAG-ALONG AGREEMENT BY AND AMONG THE SHAREHOLDER, THE COMPANY AND CERTAIN HOLDERS OF STOCK OF THE COMPANY. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to SVB Financial Group (Silicon Valley Bank's parent company) or any other affiliate of Holder, provided that any such transferee is an "accredited investor" as defined in Regulation D promulgated under the Act. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144 promulgated under the Act.

5.4 Transfer Procedure. After receipt by Silicon Valley Bank of the executed Warrant, Silicon Valley Bank will transfer all of this Warrant to its parent company, SVB Financial Group. By its acceptance of this Warrant, SVB Financial Group hereby makes to the Company each of the representations and warranties set forth in Section 4 hereof and agrees to be bound by all of the terms and conditions of this Warrant as if the original Holder hereof. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable); and provided further, that any subsequent transferee other than SVB Financial Group shall

agree in writing with the Company to be bound by all of the terms and conditions of this Warrant. Notwithstanding any contrary provision herein, at all times prior to the IPO, Holder may not, without the Company's prior written consent, transfer this Warrant or any portion hereof, or any Shares issued upon any exercise hereof, or any shares or other securities issued upon any conversion of any Shares issued upon any exercise hereof, to any person or entity who directly competes with the Company, except in connection with an Acquisition of the Company by such a direct competitor.

5.5 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail and such receipt is confirmed in writing by the recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

SVB Financial Group
Attn: Treasury Department
3003 Tasman Drive, HC 215
Santa Clara, CA 95054
Telephone: (408) 654-7400
Facsimile: (408) 988-8317
Email address: derivatives@svb.com

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

Tracon Pharmaceuticals, Inc.
Attn: H. Casey Logan, Chief Business Officer
8910 University Center Lane, Suite 700
San Diego, CA 92122
Telephone: (858) 550-0780, Ext. 236
Facsimile: (858) 550-0786
Email: clogan@traconpharma.com

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated (either generally or in a particular instance and either retroactively or prospectively) only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Counterparts; Facsimile/Electronic Signatures. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement. Any signature page delivered electronically or by facsimile shall be binding to the same extent as an original signature page with regards to any agreement subject to the terms hereof or any amendment thereto.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

5.10 Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

5.11 Business Days. "**Business Day**" is any day that is not a Saturday, Sunday or a day on which Silicon Valley Bank is closed.

[Remainder of page left blank intentionally]

[Signature page follows]

IN WITNESS WHEREOF, the parties have caused this Warrant to Purchase Stock to be executed by their duly authorized representatives effective as of the Issue Date written above.

"COMPANY"

TRACON PHARMACEUTICALS, INC.

By: /s/ Charles Theuer
Name: Charles Theuer
(Print)
Title: CEO

"HOLDER"

SILICON VALLEY BANK

By: /s/ Anthony Flores
Name: Anthony Flores
(Print)
Title: Vice President

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right purchase _____ shares of the Common/Series _____ Preferred [circle one] Stock of TRACON PHARMACEUTICALS, INC. (the "**Company**") in accordance with the attached Warrant To Purchase Stock, and tenders payment of the aggregate Warrant Price for such shares as follows:

o check in the amount of $___ payable to order of the Company enclosed herewith

o Wire transfer of immediately available funds to the Company's account

o Cashless Exercise pursuant to Section 1.2 of the Warrant

o Other [Describe] _____

2. Please issue a certificate or certificates representing the Shares in the name specified below:

_____
Holder's Name

_____

_____
(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Section 4 of the Warrant to Purchase Stock as of the date hereof.

HOLDER:

_____

By: _____

Name: _____

Title: _____

(Date): _____

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "**Agreement**") dated as of November 14, 2013 (the "**Effective Date**") between **SILICON VALLEY BANK**, a California corporation ("**Bank**"), and **TRACON PHARMACEUTICALS, INC.**, a Delaware corporation ("**Borrower**"), provides the terms on which Bank shall lend to Borrower and Borrower shall repay Bank. The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meanings provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.1.1 Term Loan.

(a) Availability. Bank shall make one (1) term loan available to Borrower in an amount equal to the Term Loan Amount on or about the Effective Date subject to the satisfaction of the terms and conditions of this Agreement.

(b) Repayment of Term Loan.

(i) Interest-Only Payments. Borrower shall make monthly payments of interest-only commencing on the first (1st) Business Day of the first (1st) month following the month in which the Funding Date occurs with respect to the Term Loan and continuing thereafter during the Interest-Only Period, on the first (1st) Business Day of each successive month.

(ii) Principal and Interest Payments. Borrower shall repay the Term Loan in twenty-seven (27) consecutive equal monthly payments of principal and accrued but unpaid interest commencing on the first (1st) Business Day of the first (1st) month after the Interest-Only Period (the "**Conversion Date**"), in amounts that would fully amortize the Term Loan, as of the Conversion Date, over the Repayment Period. The Final Payment and all unpaid principal and accrued and unpaid interest on the Term Loan are due and payable in full on the Term Loan Maturity Date.

(c) Voluntary Prepayment. Borrower shall have the option to prepay the Term Loan in full, provided Borrower (i) shall provide written notice to Bank of its election to prepay the Term Loan at least ten (10) days prior to such prepayment and (ii) pays, on the date of such prepayment, (a) all outstanding principal and accrued but unpaid interest, plus (b) the Final

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Payment, plus (c) all other sums, including Bank Expenses, if any, that shall have become due and payable.

(d) Mandatory Prepayment Upon an Acceleration. If the Term Loan is accelerated following the occurrence of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (i) all outstanding principal and accrued but unpaid interest, plus (ii) the Final Payment, plus (iii) all other sums, including Bank Expenses, if any, that shall have become due and payable.

(e) Mandatory Prepayment Upon Redemption. If Borrower shall receive a Redemption Request (as defined in Borrower's Restated Certificate of Incorporation, as amended), Borrower shall immediately, and prior to any payment in respect of any such Redemption Request, pay to Bank an amount equal to the sum of (i) all outstanding principal and accrued but unpaid interest, plus (ii) the Final Payment, plus (iii) all other sums, including Bank Expenses, if any, that shall have become due and payable.

2.2 Payment of Interest on the Credit Extensions.

(a) Interest Rate. Subject to Section 2.2(b), the principal amount outstanding for the Term Loan shall accrue interest at a fixed per annum rate equal to five percent (5.0%), which shall be payable monthly.

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is four percentage points (4.0%) above the rate that is otherwise applicable thereto (the "**Default Rate**"). Fees and expenses which are required to be paid by Borrower pursuant to the Loan Documents (including, without limitation, Bank Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 2.2(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Payment; Interest Computation. Interest is payable monthly on the first calendar day of each month and shall be computed on the basis of a 360-day year for the actual number of days elapsed. In computing interest, (i) all payments received after 12:00 p.m. Pacific time on any day shall be deemed received at the opening of business on the next Business Day, and (ii) the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

2.3 Fees. Borrower shall pay to Bank the following:

(a) Good Faith Deposit. Borrower has paid to Bank a good faith deposit of Ten Thousand Dollars ($10,000) (the "**Good Faith Deposit**") to initiate Bank's due diligence review process, which amount shall be applied to Bank Expenses, provided that, in the event the Good Faith Deposit exceeds Bank Expenses incurred through the Effective Date, the remaining amount will be credited to the Designated Deposit Account; and

(b) Expenses. All Bank Expenses (including reasonable and invoiced attorneys' fees and expenses, plus reasonable and invoiced out-of-pocket expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due (or, if no stated due date, promptly following demand by Bank).

(c) Fees Fully Earned. Unless otherwise provided in this Agreement or in a separate writing by Bank, Borrower shall not be entitled to any credit, rebate, or repayment of any fees earned by Bank pursuant to this Agreement notwithstanding any termination of this Agreement or the suspension or termination of Bank's obligation to make loans and advances hereunder. Bank may deduct amounts owing by Borrower under the clauses of this Section 2.3 pursuant to the terms of Section 2.4(c). Bank shall provide Borrower written notice of deductions made from the Designated Deposit Account pursuant to the terms of the clauses of this Section 2.3.

2.4 Payments; Application of Payments; Debit of Accounts.

(a) All payments to be made by Borrower under any Loan Document shall be made in immediately available funds in Dollars, without setoff or counterclaim, before 12:00 p.m. Pacific time on the date when due. Payments of principal and/or interest received after 12:00 p.m. Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

(b) Bank has the exclusive right to determine the order and manner in which all payments with respect to the Obligations may be applied. Borrower shall have no right to specify the order or the accounts to which Bank shall allocate or apply any payments required to be made by Borrower to Bank or otherwise received by Bank under this Agreement when any such allocation or application is not specified elsewhere in this Agreement.

(c) Bank may debit any of Borrower's deposit accounts, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due. These debits shall not constitute a set-off.

2.5 Withholding. Payments received by Bank from Borrower under this Agreement will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority (including any interest, additions to tax or penalties applicable thereto). Specifically, however, if at any time any Governmental Authority, applicable law, regulation or international agreement requires Borrower to make any withholding or deduction from any such payment or other sum payable hereunder to Bank, Borrower hereby covenants and agrees that the amount due from Borrower with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction, Bank receives a net sum equal to the sum which it would have received had no withholding or deduction been required, and Borrower shall pay the full amount withheld or deducted to the relevant Governmental Authority. Borrower will, upon reasonable request, furnish Bank with proof reasonably satisfactory to Bank indicating that

Borrower has made such withholding payment; provided, however, that Borrower need not make any withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in full is bonded or reserved against by Borrower. The agreements and obligations of Borrower contained in this Section 2.5 shall survive the termination of this Agreement.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Bank's obligation to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed original signatures to the Loan Documents;

(b) a duly executed original signature to the Warrant;

(c) the Operating Documents and long-form good standing certificates of Borrower and its Subsidiaries certified by the Secretary of State (or equivalent agency) of Borrower's and such Subsidiaries' jurisdiction of organization or formation and each jurisdiction in which Borrower and each Subsidiary is qualified to conduct business, each as of a date no earlier than thirty (30) days prior to the Effective Date;

(d) duly executed original signatures to the completed Borrowing Resolutions for Borrower;

(e) certified copies, dated as of a recent date, of financing statement searches, as Bank may reasonably request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens, or have been, or in connection with the initial Credit Extension will be, terminated or released;

(f) the Perfection Certificate executed by Borrower;

(g) a bailee's waiver in favor of Bank duly executed by Catalent Pharma Solutions, Inc. with respect to its location at 10381 Decatur Road, Philadelphia, PA 19154;

(h) a copy of Borrower's Registration Rights Agreement and/or Investors' Rights Agreement and any amendments thereto;

(i) evidence reasonably satisfactory to Bank that the insurance policies and endorsements required by Section 6.5 hereof are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses and cancellation notice to Bank (or endorsements reflecting the same) in favor of Bank; and

(j) payment of the fees and Bank Expenses then due as specified in Section 2.3 hereof.

3.2 Conditions Precedent to all Credit Extensions. Bank's obligations to make each Credit Extension, including the initial Credit Extension, are subject to the following conditions precedent:

(a) timely receipt of an executed Payment/Advance Form;

(b) the representations and warranties in this Agreement shall be true, accurate, and complete in all material respects on the date of the Payment/Advance Form and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in this Agreement remain true, accurate, and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; and

(c) Bank determines to its satisfaction that there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations; and there has not been any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Bank.

3.3 Covenant to Deliver. Borrower agrees to deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. Borrower expressly agrees that a Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and any such Credit Extension in the absence of a required item shall be made in Bank's sole discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of a Credit Extension set forth in this Agreement, to obtain a Credit Extension, Borrower shall notify Bank (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 p.m. Pacific time on the Funding Date of the Credit Extension. Together with any such electronic or facsimile notification, Borrower shall deliver to Bank by electronic mail or facsimile a completed Payment/Advance Form executed by a Responsible Officer or his or her designee. Bank may rely on any telephone notice given by a person who Bank believes is a Responsible Officer or designee. Bank shall credit Credit Extensions to the Designated Deposit Account. Bank may make Credit Extensions under this Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Credit Extensions are necessary to meet Obligations that have become due.

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof.

Borrower acknowledges that it previously has entered, and/or may in the future enter, into Bank Services Agreements with Bank. Regardless of the terms of any Bank Services Agreement, Borrower agrees that any amounts Borrower owes Bank thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and Bank to have all such Obligations secured by the first priority perfected security interest in the Collateral granted herein (subject only to Permitted Liens that may have superior priority to Bank's Lien in this Agreement).

If this Agreement is terminated, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations and obligations with respect to Bank Services that have been cash collateralized pursuant to the terms of this Section 4.1) are satisfied in full, and at such time, Bank shall, at Borrower's sole cost and expense, terminate its security interest in the Collateral and all rights therein shall revert to Borrower. In the event (x) all Obligations (other than inchoate indemnity obligations), except for Bank Services, are satisfied in full, and (y) this Agreement is terminated, Bank shall terminate the security interest granted herein upon Borrower providing cash collateral acceptable to Bank in its good faith business judgment for Bank Services, if any. In the event such Bank Services consist of outstanding Letters of Credit, Borrower shall provide to Bank cash collateral in an amount equal to (x) if such Letters of Credit are denominated in Dollars, then at least one hundred five percent (105.0%); and (y) if such Letters of Credit are denominated in a Foreign Currency, then at least one hundred ten percent (110.0%), of the Dollar Equivalent of the face amount of all such Letters of Credit plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment), to secure all of the Obligations relating to such Letters of Credit.

4.2 Priority of Security Interest. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Bank's Lien under this Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

4.3 Authorization to File Financing Statements. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 Due Organization, Authorization; Power and Authority. Borrower is duly existing and in good standing as a Registered Organization in its jurisdiction of formation and is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its business or its

ownership of property requires that it be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business. In connection with this Agreement, Borrower has delivered to Bank a completed certificate signed by Borrower, entitled "Perfection Certificate". Borrower represents and warrants to Bank that (a) Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type, and is organized in the jurisdiction, set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Borrower's organizational identification number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth Borrower's place of business, or, if more than one, its chief executive office as well as Borrower's mailing address (if different than its chief executive office); (e) Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement). If Borrower is not now a Registered Organization but later becomes one, Borrower shall promptly notify Bank of such occurrence and provide Bank with Borrower's organizational identification number.

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict with or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals that have already been obtained and are in full force and effect or filings required to perfect Bank's Liens) or (v) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of, any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower's business.

5.2 Collateral. Borrower has good title to, rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no Collateral Accounts at or with any bank or financial institution other than Bank or Bank's Affiliates except for the Collateral Accounts described in the Perfection Certificate delivered to Bank in connection herewith and which Borrower has taken such actions as are necessary to give Bank a perfected security interest

therein, pursuant to the terms of Section 6.6(b). The Accounts are bona fide, existing obligations of the Account Debtors.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 7.2.

All material inventory is in all material respects of good and marketable quality, free from material defects.

Borrower is the sole owner of the Intellectual Property which it owns or purports to own except for (a) non-exclusive licenses granted to its customers in the ordinary course of business, (b) over-the-counter software that is commercially available to the public, and (c) material Intellectual Property licensed to Borrower and noted on the Perfection Certificate. Each Patent which it owns or purports to own and which is material to Borrower's business is valid and enforceable, and no part of the Intellectual Property which Borrower owns or purports to own and which is material to Borrower's business has been judged invalid or unenforceable, in whole or in part. To the best of Borrower's knowledge, no claim has been made that any part of the Intellectual Property violates the rights of any third party except to the extent such claim would not reasonably be expected to have a material adverse effect on Borrower's business.

Except as noted on the Perfection Certificate, Borrower is not a party to, nor is it bound by, any Restricted License.

5.3 Litigation. There are no actions or proceedings pending or, to the knowledge of any Responsible Officer, threatened in writing by or against Borrower or any of its Subsidiaries involving more than Fifty Thousand Dollars ($50,000) individually or in the aggregate.

5.4 No Material Deviation in Financial Statements. All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.5 Solvency. The fair salable value of Borrower's consolidated assets (including goodwill minus disposition costs) exceeds the fair value of Borrower's liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.6 Regulatory Compliance. Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower (a) has complied in all material respects with all Requirements of Law, and (b) has not violated any Requirements of Law the violation of which could reasonably be expected to have a material adverse effect on its business. None of Borrower's or any of its Subsidiaries' properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge,

by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

5.7 Subsidiaries; Investments. Borrower does not own any stock, partnership, or other ownership interest or other equity securities except for Permitted Investments.

5.8 Tax Returns and Payments; Pension Contributions. Borrower has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except (a) to the extent such taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as such reserve or other appropriate provision, if any, as shall be

required in conformity with GAAP shall have been made therefor, or (b) if such taxes, assessments, deposits and contributions do not, individually or in the aggregate, exceed Ten Thousand Dollars ($10,000).

To the extent Borrower defers payment of any contested taxes, Borrower shall (i) notify Bank in writing of the commencement of, and any material development in, the proceedings, and (ii) post bonds or take any other steps required to prevent the Governmental Authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien." Borrower is unaware of any claims or adjustments proposed for any of Borrower's prior tax years which could result in additional taxes becoming due and payable by Borrower in excess of Ten Thousand Dollars ($10,000). Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.9 Use of Proceeds. Borrower shall use the proceeds of the Credit Extensions solely as working capital to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.10 Full Disclosure. No written representation, warranty or other statement of Borrower in any certificate or written statement given to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized by Bank that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.11 Definition of "Knowledge." For purposes of the Loan Documents, whenever a representation or warranty is made to Borrower's knowledge or awareness, to the "best of" Borrower's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of any Responsible Officer.

6 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

6.1 Government Compliance.

(a) Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, in all material respects, with all laws, ordinances and regulations to which it is subject.

(b) Obtain all of the Governmental Approvals necessary for the performance by Borrower of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Bank in the Collateral. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Bank.

6.2 Financial Statements, Reports, Certificates. Provide Bank with the following:

(a) Monthly Financial Statements. As soon as available, but no later than forty-five (45) days after the last day of each month, a company prepared consolidated and consolidating balance sheet and income statement covering Borrower's consolidated and consolidating operations for such month certified by a Responsible Officer and in a form reasonably acceptable to Bank (the "**Monthly Financial Statements**");

(b) Monthly Compliance Certificate. Within forty-five (45) days after the last day of each month and together with the Monthly Financial Statements, a duly completed Compliance Certificate signed by a Responsible Officer, certifying that as of the end of such month, Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Bank may reasonably request;

(c) Annual Operating Budget and Financial Projections. Prior to the earlier of seven (7) days after approval by Borrower's board of directors or sixty (60) days after to the end of each fiscal year of Borrower, (i) annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the upcoming fiscal year of Borrower, and (ii) annual financial projections for the following fiscal year (on a quarterly basis) as approved by Borrower's board of directors, together with any related business forecasts used in the preparation of such annual financial projections;

(d) Annual Audited Financial Statements. As soon as available, but no later than one hundred eighty (180) days after the last day of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an

unqualified opinion (which may be qualified as to the status of Borrower as a going concern) on the financial statements from an independent certified public accounting firm acceptable to Bank in its reasonable discretion, provided that Ernst & Young LLP and any other regional or nationally recognized certified public accounting firm shall be deemed to be acceptable to Bank;

(e) Other Statements. Within five (5) days of delivery, copies of all statements, reports and notices made available to Borrower's security holders or to any holders of Subordinated Debt;

(f) SEC Filings. In the event that Borrower becomes subject to the reporting requirements under the Exchange Act within five (5) days of filing, copies of all periodic and other reports, proxy statements and other materials filed by Borrower with the SEC, any Governmental Authority succeeding to any or all of the functions of the SEC or with any national securities exchange, or distributed to its shareholders, as the case may be. Documents required to be delivered pursuant to the terms hereof (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower posts such documents, or provides a link thereto, on Borrower's

website on the Internet at Borrower's website address; provided, however, Borrower shall promptly notify Bank in writing (which may be by electronic mail) of the posting of any such documents;

(g) Legal Action Notice. A prompt report of any legal actions pending or threatened in writing against Borrower or any of its Subsidiaries that could result in damages or costs to Borrower or any of its Subsidiaries of, individually or in the aggregate, Fifty Thousand Dollars ($50,000) or more;

(h) Other Financial Information. Other financial information reasonably requested by Bank; and

(i) Redemption Request. Within one (1) Business Day of receipt by Borrower, a copy of any Redemption Request (as defined in Borrower's Restated Certificate of Incorporation, as amended).

6.3 Inventory; Returns. Keep all material Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its Account Debtors shall follow Borrower's customary practices as they exist at the Effective Date. Borrower must promptly notify Bank of all returns, recoveries, disputes and claims that involve more than One Hundred Thousand Dollars ($100,000).

6.4 Taxes; Pensions. Timely file, and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each of its Subsidiaries, except for deferred payment of any taxes contested pursuant to the terms of Section 5.8 hereof, and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.5 Insurance.

(a) Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with financially sound and reputable insurance companies that are not Affiliates of Borrower, and in amounts that are reasonably satisfactory to Bank. Bank acknowledges that the insurance maintained by Borrower as of the Effective Date complies with this Section 6.5 for Borrower's business and operations as they exist as of the Effective Date. All property policies shall have a lender's loss payable endorsement showing Bank as lender loss payee. All liability policies shall show, or have endorsements showing, Bank as an additional insured. Bank shall be named as lender loss payee and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral.

(b) Proceeds payable under any property policy are, at Bank's option, payable to Bank on account of the Obligations.

(c) At Bank's request, Borrower shall deliver certified copies of insurance policies and evidence of all premium payments. Each provider of any such insurance required under this Section 6.5 shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to Bank, that it will give Bank thirty (30) days prior written notice before any such policy or policies shall be materially altered or canceled. If Borrower fails to obtain insurance as required under this Section 6.5 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 6.5, and take any action under the policies Bank deems prudent.

6.6 Operating Accounts.

(a) Maintain its primary operating and other deposit accounts and securities accounts with Bank and/or Bank's Affiliates.

(b) Provide Bank five (5) days prior written notice before establishing any Collateral Account at or with any bank or financial institution other than Bank or Bank's Affiliates. For each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder, which control agreements may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such.

6.7 Reserved.

6.8 Protection of Intellectual Property Rights.

(a) (i) Protect, defend and maintain the validity and enforceability of its material Intellectual Property; (ii) promptly advise Bank in writing of material infringements or any other event that could reasonably be expected to materially and adversely affect the value of its

Intellectual Property; and (iii) not allow any Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Bank's written consent.

(b) Provide written notice to Bank within ten (10) Business Days of entering or becoming bound by any Restricted License (other than over-the-counter software that is commercially available to the public). Borrower shall take such commercially reasonable steps as Bank requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (i) any Restricted License to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such Restricted License, whether now existing or entered into in the future, and (ii) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

6.9 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Borrower and its officers, employees and agents and Borrower's books and records, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

6.10 Access to Collateral; Books and Records. Allow Bank, or its agents, at reasonable times, on three (3) Business Days' notice (provided no notice is required if an Event of Default has occurred and is continuing), to inspect the Collateral and audit and copy Borrower's Books. Such inspections or audits shall be conducted no more often than once every twelve (12) months unless an Event of Default has occurred and is continuing in which case such inspections and audits shall occur as often as Bank shall determine is necessary. The foregoing inspections and audits shall be at Borrower's expense. In the event Borrower and Bank schedule an audit more than ten (10) days in advance, and Borrower cancels or seeks to reschedule the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank's rights or remedies), if requested by Bank in writing, Borrower shall pay Bank a fee of One Thousand Dollars ($1,000) plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

6.11 Formation or Acquisition of Subsidiaries. Notwithstanding and without limiting the negative covenants contained in Section 7.3 and 7.7 hereof, at the time that Borrower forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Effective Date, Borrower shall (a) cause any such new Subsidiary that is a Domestic Subsidiary to provide to Bank a joinder to the Loan Agreement to cause such Subsidiary to become a co-borrower hereunder, together with such appropriate financing statements and/or Control Agreements, all in form and substance reasonably satisfactory to Bank (including being sufficient to grant Bank a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all (or 65% with respect to any Foreign Subsidiary) of the direct or beneficial ownership interest in such new Subsidiary, in form and substance reasonably satisfactory to Bank, and (c) provide to Bank all other documentation in form and substance reasonably satisfactory to Bank, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above. Any document,

agreement, or instrument executed or issued pursuant to this Section 6.11 shall be a Loan Document.

6.12 Further Assurances. Execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's Lien in the Collateral or to effect the purposes of this Agreement.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment that is, in the reasonable judgment of Borrower, no longer economically practicable to maintain or useful in the ordinary course of business of Borrower; (c) consisting of Permitted Liens and Permitted Investments; (d) consisting of the sale or issuance of any stock of Borrower permitted under Section 7.2 of this Agreement; (e) consisting of Borrower's use or transfer of money or Cash Equivalents in the ordinary course of its business for the payment of ordinary course business expenses in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; and (f) of non-exclusive licenses for the use of the property of Borrower or its Subsidiaries in the ordinary course of business and licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States.

7.2 Changes in Business, Management, Ownership or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related thereto; (b) liquidate or dissolve; or (c) (i) fail to provide notice to Bank of any Key Person departing from or ceasing to be employed by Borrower within ten (10) Business Days after his or her departure from Borrower; or (ii) enter into any transaction or series of related transactions in which the stockholders of Borrower who were not stockholders immediately prior to the first such transaction own more than forty-nine percent (49%) of the voting stock of Borrower immediately after giving effect to such transaction or related series of such transactions (other than by the sale of Borrower's equity securities in a public offering or to venture capital or private equity investors so long as Borrower identifies to Bank the venture capital or private equity investors at least seven (7) Business Days prior to the closing of the transaction and provides to Bank a description of the material terms of the transaction).

Borrower shall not, without at least thirty (30) days prior written notice to Bank: (1) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than One Hundred Thousand Dollars ($100,000) in Borrower's assets or property) or deliver any portion of the Collateral valued, individually or in the aggregate, in excess of One Hundred Thousand Dollars ($100,000) to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, (2) change its jurisdiction of organization, (3) change its organizational structure or type, (4) change its legal name, or (5)

change any organizational number (if any) assigned by its jurisdiction of organization. If Borrower intends to deliver any portion of the Collateral valued, individually or in the aggregate, in excess of One Hundred Thousand Dollars ($100,000) to a bailee, and Bank and such bailee are not already parties to a bailee agreement governing both the Collateral and the location to which Borrower intends to deliver the Collateral, then such bailee shall execute and deliver a bailee agreement in form and substance reasonably satisfactory to Bank, unless such Collateral is only expected to be at such location for less than 90 days (provided that if any such Collateral is for any reason held at such location for more than 90 days, Borrower shall promptly cause such bailee to then execute and deliver a bailee agreement in form and substance reasonably satisfactory to Bank). Notwithstanding anything to the contrary contained in this Section 7.2 and without limiting anything contained in this Section 7.2, the Collateral shall be maintained at no more than three (3) bailee locations which are not subject to a bailee agreement in form and substance reasonably satisfactory to Bank.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person (including, without limitation, by the formation of any Subsidiary). A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens; permit any Collateral not to be subject to the first priority security interest granted herein; or enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any Person that directly or

indirectly prohibits, or has the effect of prohibiting, Borrower from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's Intellectual Property, except as is otherwise permitted in Section 7.1 hereof and the definition of "Permitted Lien" herein.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.6(b) hereof.

7.7 Distributions; Investments. (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock (other than repurchases pursuant to the terms of employment agreements, employee stock purchase plans, employee restricted stock agreements, stockholder rights plans, director or consultant stock option plans, or similar plans, so long as an Event of Default does not exist at the time of such repurchase and would not exist after giving effect to such repurchase, and the aggregate amount of all such repurchases does not exceed Fifty Thousand Dollars ($50,000) per fiscal year); or (b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for (a) transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person and (b) Subordinated Debt permitted under Section 7.9.

7.9 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt that would increase the amount thereof, provide for earlier or greater principal, interest, or other payments thereon, or adversely affect the subordination thereof to Obligations owed to Bank.

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to (a) meet the minimum funding requirements of ERISA, (b) prevent a Reportable Event or Prohibited Transaction, as defined in ERISA, from occurring, or (c) comply with the Federal Fair Labor Standards Act, the failure of any of the conditions described in clauses (a) through (c) which could reasonably be expected to have a material adverse effect on Borrower's business; or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower's business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension when due, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day grace

period shall not apply to payments due on the Term Loan Maturity Date). During the cure period, the failure to make or pay any payment specified in clause (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Sections 6.2, 6.4, 6.5, 6.6, 6.8(b), 6.10, 6.11, or 6.12 or violates any covenant in Section 7; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Cure periods provided under this section shall not apply, among other things, to financial covenants or any other covenants set forth in clause (a) above;

8.3 Material Adverse Change. A Material Adverse Change occurs;

8.4 Attachment; Levy; Restraint on Business.

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or of any entity under the control of Borrower (including a Subsidiary) in excess of Fifty Thousand Dollars ($50,000), or (ii) a notice of lien or levy is filed against any of Borrower's assets by any Governmental Authority, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; or

(b) (i) any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower from conducting all or any material part of its business;

8.5 Insolvency. (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within forty-five (45) days (but no Credit Extensions shall be made while any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is, under any agreement to which Borrower or any Guarantor is a party with a third party or parties, (a) any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of Fifty Thousand Dollars ($50,000); or (b) any

breach or default by Borrower or Guarantor, the result of which could have a material adverse effect on Borrower's or any Guarantor's business;

8.7 Judgments; Penalties. One or more fines, penalties or final judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least Fifty Thousand Dollars ($50,000) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower by any Governmental Authority, and the same are not, within ten (10) days after the entry, assessment or issuance thereof, discharged, satisfied, or paid, or after execution thereof stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay (provided that no Credit Extensions will be made prior to the satisfaction, payment, discharge, stay, or bonding of such fine, penalty, judgment, order, or decree);

8.8 Misrepresentations. Borrower or any Person acting for Borrower makes any representation, warranty or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 Subordinated Debt. A default or breach occurs under any agreement between Borrower and any creditor of Borrower that signed a subordination, intercreditor, or other similar agreement with Bank, or any creditor that has signed such an agreement with Bank breaches any terms of such agreement; or

8.10 Governmental Approvals. Any Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could result in the Governmental Authority taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal (i) causes, or could reasonably be expected to cause, a Material Adverse Change, or (ii) adversely affects the legal qualifications of Borrower or any of its Subsidiaries to hold such Governmental Approval in any applicable jurisdiction and such revocation, rescission, suspension, modification or non-renewal could reasonably be expected to affect the status of or legal qualifications of Borrower or any of its Subsidiaries to hold any Governmental Approval in any other jurisdiction, except where such failure to hold such Governmental Approval could not reasonably be expected to cause a Material Adverse Change.

9 BANK'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) for any Letters of Credit, demand that Borrower (i) deposit cash with Bank in an amount equal to at least 105% (110% for Letters of Credit denominated in a Foreign Currency) of the Dollar Equivalent of the aggregate face amount of all Letters of Credit remaining undrawn (plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment)), to secure all of the Obligations relating to such Letters of Credit, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all letter of credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any FX Contracts;

(e) verify the amount of, demand payment of and performance under, and collect any Accounts and General Intangibles, settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, notify any Person owing Borrower money of Bank's security interest in such funds;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien that appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(g) apply to the Obligations (i) any balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, Patents, Copyrights, mask works, rights of use of any name, trade secrets, trade names, Trademarks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(i) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(j) demand and receive possession of Borrower's Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Bank determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Bank or a third party as the Code permits. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of Bank's security interest in the Collateral, regardless of whether an Event of Default has occurred, until all Obligations have been satisfied in full and Bank is under no further obligation to make Credit Extensions hereunder. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.5 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest rate applicable to the Obligations, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.4 Application of Payments and Proceeds Upon Default. If an Event of Default has occurred and is continuing, Bank shall have the right to apply in any order any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations. Bank shall pay any surplus to Borrower by credit to the Designated Deposit Account or to other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, directly or indirectly, enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d)

any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by the party granting the waiver and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election and shall not preclude Bank from exercising any other remedy under this Agreement or other remedy available at law or in equity, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Bank or Borrower may change its mailing or electronic mail address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower:	Tracon Pharmaceuticals, Inc. 8910 University Center Lane, Suite 700 San Diego, CA 92122 Attn: H. Casey Logan, Chief Business Officer Fax: 858-550-0786 Email: clogan@traconpharma.com Website URL: www.traconpharma.com
If to Bank:	Silicon Valley Bank 4370 La Jolla Village Drive, Suite 1050

San Diego, CA 92122
Attn: Igor DaCruz
Fax: (858) 622-1424
Email: idacruz@svb.com

11 CHOICE OF LAW, VENUE, JURY TRIAL WAIVER AND JUDICIAL REFERENCE

Except as otherwise expressly provided in any of the Loan Documents, California law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California; provided however, that nothing in this Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in Section 10, or subsequently provided by Borrower in accordance with, Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVE THEIR RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO WAIVE THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY, if the above waiver of the right to a trial by jury is not enforceable, the parties hereto agree that any and all disputes or controversies of any nature between them arising at any time shall be decided by a reference to a private judge, mutually selected by the parties (or, if they cannot agree, by the Presiding Judge of the Santa Clara County, California Superior Court) appointed in accordance with California Code of Civil Procedure Section 638 (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts), sitting without a jury, in Santa Clara County, California; and the parties hereby submit to the jurisdiction of such court. The reference proceedings shall be conducted pursuant to and in accordance with the provisions of California Code of Civil Procedure §§ 638 through 645.1, inclusive. The private judge shall have the power, among others, to grant provisional relief, including without limitation, entering temporary restraining orders, issuing preliminary and permanent injunctions and appointing receivers. All such proceedings shall be closed to the public and confidential and all records relating thereto shall be permanently sealed. If during the course of any dispute, a party desires to seek provisional relief, but a judge has not been appointed at that point pursuant to the judicial reference procedures, then such party may apply to the Santa Clara County, California Superior

Court for such relief. The proceeding before the private judge shall be conducted in the same manner as it would be before a court under the rules of evidence applicable to judicial proceedings. The parties shall be entitled to discovery which shall be conducted in the same manner as it would be before a court under the rules of discovery applicable to judicial proceedings. The private judge shall oversee discovery and may enforce all discovery rules and orders applicable to judicial proceedings in the same manner as a trial court judge. The parties agree that the selected or appointed private judge shall have the power to decide all issues in the action or proceeding, whether of fact or of law, and shall report a statement of decision thereon pursuant to California Code of Civil Procedure § 644(a). Nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclose against collateral, or obtain provisional remedies. The private judge shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph.

This Section 11 shall survive the termination of this Agreement.

12 GENERAL PROVISIONS

12.1 Termination Prior to Maturity Date; Survival. All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations have been satisfied. So long as Borrower has satisfied the Obligations (other than inchoate indemnity obligations, any other obligations which, by their terms, are to survive the termination of this Agreement, and any Obligations under Bank Services Agreements that are cash collateralized in accordance with Section 4.1 of this Agreement), this Agreement may be terminated prior to the Term Loan Maturity Date by Borrower in accordance with Section 2.1.1. Those obligations that are expressly specified in this Agreement as surviving this Agreement's termination shall continue to survive notwithstanding this Agreement's termination.

12.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's discretion). Bank has the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents (other than the Warrant, as to which assignment, transfer and other such actions are governed by the terms thereof). Notwithstanding the foregoing, prior to the occurrence of an Event of Default, Bank shall not assign any interest in the Loan Documents to an operating company which is a direct competitor of Borrower.

12.3 Indemnification. Borrower agrees to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank (each, an "**Indemnified Person**") harmless against (i) all obligations, demands, claims, and liabilities (collectively, "**Claims**") claimed or asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (ii) all losses or expenses (including Bank Expenses) in any way suffered, incurred, or paid by such Indemnified Person as a result of, following from, consequential to, or arising from transactions between Bank and Borrower (including reasonable attorneys' fees and expenses), except for Claims

and/or losses directly caused by such Indemnified Person's gross negligence or willful misconduct.

This Section 12.3 shall survive until all statutes of limitation with respect to the Claims, losses, and expenses for which indemnity is given shall have run.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.5 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.6 Correction of Loan Documents. Bank may correct patent errors and fill in any blanks in this Agreement and the other Loan Documents consistent with the agreement of the parties.

12.7 Amendments in Writing; Waiver; Integration. No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be enforceable or admissible unless, and only to the extent, expressly set forth in a writing signed by the party against which enforcement or admission is sought. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of the Loan Documents merge into the Loan Documents.

12.8 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement.

12.9 Confidentiality. In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's Subsidiaries or Affiliates (such Subsidiaries and Affiliates, together with Bank, collectively, "**Bank Entities**"); (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Bank shall use its best efforts to obtain any prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; (e) as Bank considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. Confidential information does not include information that is either: (i) in the public domain or in Bank's possession when

disclosed to Bank, or becomes part of the public domain (other than as a result of its disclosure by Bank in violation of this Agreement) after disclosure to Bank; or (ii) disclosed to Bank by a third party if Bank does not know that the third party, is prohibited from disclosing the information.

Bank Entities may use anonymous forms of confidential information for aggregate datasets, for analyses or reporting, and for any other uses not expressly prohibited in writing by Borrower. The provisions of the immediately preceding sentence shall survive termination of this Agreement.

12.10 Attorneys' Fees, Costs and Expenses. In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.11 Electronic Execution of Documents. The words "execution," "signed," "signature" and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

12.12 Captions. The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

12.13 Construction of Agreement. The parties mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

12.14 Relationship. The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

12.15 Third Parties. Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any person not an express party to this Agreement; or (c) give any person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

13 DEFINITIONS

13.1 Definitions. As used in the Loan Documents, the word "shall" is mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting, the singular includes the plural, and numbers denoting amounts that are set off

in brackets are negative. As used in this Agreement, the following capitalized terms have the following meanings:

"**Account**" is any "account" as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

"**Account Debtor**" is any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"**Affiliate**" is, with respect to any Person, each other Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"**Agreement**" is defined in the preamble hereof.

"**Bank**" is defined in the preamble hereof.

"**Bank Entities**" is defined in Section 12.9.

"**Bank Expenses**" are all reasonable and invoiced audit fees and out-of-pocket costs and expenses (including reasonable and invoiced attorneys' fees and expenses) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings and those identified as Bank Expenses in Section 9.3 hereof) or otherwise incurred with respect to Borrower.

"**Bank Services**" are any products, credit services, and/or financial accommodations previously, now, or hereafter provided to Borrower or any of its Subsidiaries by Bank or any Bank Affiliate, including, without limitation, any letters of credit, cash management services (including, without limitation, merchant services, direct deposit of payroll, business credit cards, and check cashing services), interest rate swap arrangements, and foreign exchange services as any such products or services may be identified in Bank's various agreements related thereto (each, a "**Bank Services Agreement**").

"**Borrower**" is defined in the preamble hereof.

"**Borrower's Books**" are all Borrower's books and records including ledgers, federal and state tax returns, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

"**Borrowing Resolutions**" are, with respect to any Person, those resolutions substantially in the form attached hereto as Exhibit C.

"**Business Day**" is any day that is not a Saturday, Sunday or a day on which Bank is closed.

"**Cash Equivalents**" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc.; and (c) Bank's certificates of deposit issued maturing no more than one (1) year after issue.

"**Claims**" is defined in Section 12.3.

"**Code**" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of California; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Bank's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of California, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"**Collateral**" is any and all properties, rights and assets of Borrower described on Exhibit A.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account.

"**Commodity Account**" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"**Compliance Certificate**" is that certain certificate in the form attached hereto as Exhibit D.

"**Contingent Obligation**" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation, in each case, directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Control Agreement**" is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

"**Conversion Date**" is defined in Section 2.1.1(b)(ii).

"**Copyrights**" are any and all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

"**Credit Extension**" is the Term Loan or any other extension of credit by Bank for Borrower's benefit under this Agreement.

"**Default Rate**" is defined in Section 2.2(b).

"**Deposit Account**" is any "deposit account" as defined in the Code with such additions to such term as may hereafter be made.

"**Designated Deposit Account**" is the multicurrency account denominated in Dollars, account number *******4031, maintained by Borrower with Bank.

"**Dollars,**" "**dollars**" or use of the sign "**$**" means only lawful money of the United States and not any other currency, regardless of whether that currency uses the "$" sign to denote its currency or may be readily converted into lawful money of the United States.

"**Dollar Equivalent**" is, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in a Foreign Currency, the equivalent amount therefor in Dollars as determined by Bank at such time on the basis of the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

"**Domestic Subsidiary**" means a Subsidiary organized under the laws of the United States or any state or territory thereof or the District of Columbia.

"**Effective Date**" is defined in the preamble hereof.

"**Equipment**" is all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"**ERISA**" is the Employee Retirement Income Security Act of 1974, and its regulations.

"**Event of Default**" is defined in Section 8.

"**Exchange Act**" is the Securities Exchange Act of 1934, as amended.

"**Final Payment**" is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) due in accordance with Section 2.1.1 above, equal to the Term Loan Amount multiplied by the Final Payment Percentage.

"**Final Payment Percentage**" is seven percent (7.0%).

"**Foreign Currency**" means lawful money of a country other than the United States.

"**Foreign Subsidiary**" means any Subsidiary which is not a Domestic Subsidiary.

"**Funding Date**" is any date on which a Credit Extension is made to or for the account of Borrower, which shall be a Business Day.

"**FX Contract**" is any foreign exchange contract by and between Borrower and Bank under which Borrower commits to purchase from or sell to Bank a specific amount of Foreign Currency on a specified date.

"**GAAP**" is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"**General Intangibles**" is all "general intangibles" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"**Governmental Approval**" is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"**Governmental Authority**" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"**Guarantor**" is any Person providing a Guaranty in favor of Bank (if any).

"**Guaranty**" is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

"**Indebtedness**" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit,

(b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

"**Indemnified Person**" is defined in Section 12.3.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"**Intellectual Property**" means, with respect to any Person, all of such Person's right, title, and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how, operating manuals;

(c) any and all source code;

(d) any and all design rights which may be available such Person;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

"**Interest-Only Period**" means the period commencing on the first (1st) Business Day following a Funding Date and continuing through the last calendar day of the month that is six (6) months from the Effective Date.

"**Inventory**" is all "inventory" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

"**Investment**" is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

"**Key Person**" is each of Borrower's (a) Chief Executive Officer, who is Charles Theuer as of the Effective Date, and (b) Chief Business Officer, who is H. Casey Logan as of the Effective Date.

"**Letter of Credit**" is a standby or commercial letter of credit issued by Bank upon request of Borrower based upon an application, guarantee, indemnity, or similar agreement.

"**Lien**" is a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"**Loan Documents**" are, collectively, this Agreement and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, the Warrant, any Bank Services Agreement, any subordination agreement, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement by Borrower and/or any Guarantor with or for the benefit of Bank in connection with this Agreement or Bank Services, all as amended, restated, or otherwise modified.

"**Material Adverse Change**" is (a) a material impairment in the perfection or priority of Bank's Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower; or (c) a material impairment of the prospect of repayment of any portion of the Obligations.

"**Obligations**" are Borrower's obligation to pay when due any debts, principal, interest, fees, Bank Expenses, and other amounts Borrower owes Bank now or later, whether under this Agreement, the other Loan Documents (other than the Warrant), or otherwise, including, without limitation, any interest accruing alter Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and the performance of Borrower's duties under the Loan Documents (other than the Warrant).

"**Operating Documents**" are, for any Person, such Person's formation documents, as certified by the Secretary of State (or equivalent agency) of such Person's jurisdiction of organization on a date that is no earlier than thirty (30) days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

"**Patents**" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"**Payment/Advance Form**" is that certain form attached hereto as Exhibit B.

"**Perfection Certificate**" is defined in Section 5.1.

"**Permitted Indebtedness**" is:

(a) Borrower's Indebtedness to Bank under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date and shown on the Perfection Certificate;

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;

(f) Indebtedness in an aggregate principal amount not to exceed One Hundred Thousand Dollars ($100,000) secured by Permitted Liens; and

(g) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (f) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"**Permitted Investments**" are:

(a) Investments shown on the Perfection Certificate and existing on the Effective Date;

(b) Investments consisting of Cash Equivalents;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(d) Investments consisting of deposit accounts in which Bank has a perfected security interest;

(e) Investments accepted in connection with Transfers permitted by Section 7.1;

(f) Investments consisting of the creation of a Subsidiary for the purpose of consummating a merger transaction permitted by Section 7.3 of this Agreement, which is otherwise a Permitted Investment;

(g) Investments of Subsidiaries in or to other Subsidiaries or Borrower and Investments by Borrower in Subsidiaries not to exceed Fifty Thousand Dollars ($50,000) in the aggregate in any fiscal year;

(h) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's Board of Directors;

(i) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(j) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (j) shall not apply to Investments of Borrower in any Subsidiary; and

(k) non-cash Investments in joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the non-exclusive licensing of technology, the development of technology or the providing of technical support.

"**Permitted Liens**" are:

(a) Liens existing on the Effective Date and shown on the Perfection Certificate or arising under this Agreement and the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not due and payable or being contested in good faith and for which Borrower maintains adequate reserves on its Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder;

(c) purchase money Liens and Liens in respect of capitalized lease obligations (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment securing no more than One Hundred Thousand Dollars ($100,000) in the aggregate amount outstanding, or (ii) existing on Equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment;

(d) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed Fifty Thousand Dollars ($50,000) and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(f) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c); provided that any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not

increase;

(g) leases or subleases of real property granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting Bank a security interest therein;

(h) licenses of Intellectual Property permitted under Section 7.1;

(i) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 8.4 and 8.7; and

(j) Liens in favor of other financial institutions arising in connection with Borrower's deposit and/or securities accounts held at such institutions, provided that Bank has a perfected security interest in the amounts held in such deposit and/or securities accounts.

"**Person**" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"**Registered Organization**" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"**Repayment Period**" is a period of time commencing on the Conversion Date and ending on the Term Loan Maturity Date.

"**Requirement of Law**" is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Responsible Officer**" is any of the Chief Executive Officer, President, Chief Business Officer or Controller of Borrower.

"**Restricted License**" is any material license or other agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with the Bank's right to sell any Collateral.

"**SEC**" shall mean the Securities and Exchange Commission, any successor thereto, and any analogous Governmental Authority.

"**Securities Account**" is any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"**Subordinated Debt**" is indebtedness incurred by Borrower subordinated to all of Borrower's now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or

other similar agreement in form and substance reasonably satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank.

"**Subsidiary**" is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of Borrower or Guarantor.

"**Term Loan**" is a loan made by Bank pursuant to the terms of Section 2.1.1 hereof.

"**Term Loan Amount**" is an amount equal to Two Million Five Hundred Thousand Dollars ($2,500,000).

"**Term Loan Maturity Date**" is August 1, 2016.

"**Term Loan Payment**" is defined in Section 2.1.1(b).

"**Trademarks**" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

"**Transfer**" is defined in Section 7.1.

"**Warrant**" is that certain Warrant to Purchase Stock dated as of the Effective Date executed by Borrower in favor of Bank.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

TRACON PHARMACEUTICALS, INC.

By: /s/ Charles Theuer
Name: Charles Theuer
Title: CEO

BANK:

SILICON VALLEY BANK

By: /s/ Kevin Wallace
Name: Kevin Wallace
Title: Vice President

[Signature Page to Loan and Security Agreement]

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include (a) more than 65% of the presently existing and hereafter arising issued and outstanding shares of capital stock owned by Borrower of any Foreign Subsidiary which shares entitle the holder thereof to vote for directors or any other matter, (b) any interest of Borrower as a lessee under an Equipment lease if Borrower is prohibited by the terms of such lease from granting a security interest in such lease or under which such an assignment or Lien would cause a default to occur under such lease; provided, however, that upon termination of such prohibition, such interest shall immediately become Collateral without any action by Borrower or Bank.; and (c) any Intellectual Property; provided, however, the Collateral shall include all Accounts and all proceeds of Intellectual Property. If a judicial authority (including a U.S. Bankruptcy Court) would hold that a security interest in the underlying Intellectual Property is necessary to have a security interest in such Accounts and such property that are proceeds of Intellectual Property, then the Collateral shall automatically, and effective as of the Effective Date, include the Intellectual Property solely to the extent necessary to permit perfection of Bank's security interest in such Accounts and such other property of Borrower that are proceeds of the Intellectual Property.

EXHIBIT B

Loan Payment/Advance Request Form.

DEADLINE FOR SAME DAY PROCESSING IS NOON Pacific Time.

Fax To: (858) 622-1424 Date: _____

LOAN PAYMENT:

TRACON PHARMACEUTICALS, INC.

From Account # _____ To Account # _____
(Deposit Account #) (Loan Account #)

Principal $ _____ and/or Interest $ _____

Authorized Signature: _____ Phone Number: _____

Print Name/Title: _____

LOAN ADVANCE:

Complete *Outgoing Wire Request* section below if all or a portion of the funds from this loan advance are for an outgoing wire.

From Account # _____ To Account # _____
(Loan Account #) (Deposit Account #)

Amount of Advance $ _____

All Borrower's representations and warranties in the Loan and Security Agreement are true, correct and complete in all material respects on the date of the request for an advance; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already

are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date:

Authorized Signature: _____ Phone Number: _____
Print Name/Title: _____

OUTGOING WIRE REQUEST:

Complete only if all or a portion of funds from the loan advance above is to be wired.

Deadline for same day processing is noon, P.S.T.

Beneficiary Name: _____ Amount of Wire: $ _____
Beneficiary Bank: _____ Account Number: _____
City and State:

Beneficiary Bank Transit (ABA) #: _____ Beneficiary Bank Code (Swift, Sort, Chip, etc.):
(For International Wire Only)

Intermediary Bank: _____ Transit (ABA) #: _____
For Further Credit to: _____

Special Instruction: _____

By signing below, I (we) acknowledge and agree that my (our) funds transfer request shall be processed in accordance with and subject to the terms and conditions set forth in the agreements(s) covering funds transfer service(s), which agreements(s) were previously received and executed by me (us).

Authorized Signature: _____ 2nd Signature (if required): _____
Print Name/Title: _____ Print Name/Title: _____
Telephone #: _____ Telephone #: _____

EXHIBIT C

BORROWING RESOLUTIONS

[see attached]

EXHIBIT D

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK Date: _____
FROM: TRACON PHARMACEUTICALS. INC.

The undersigned authorized officer of TRACON PHARMACEUTICALS, INC. ("Borrower") certifies that under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (1) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.8 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenant	Required	Complies
Monthly financial statements with Compliance Certificate	Monthly within 45 days	Yes No
Annual financial statement (CPA Audited) + CC	FYE within 180 days	Yes No
Annual Board Approved Financial Projections	Within earlier of 7 days of approval or 6 days after FYE	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC (if applicable)	Yes No

The following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

TRACON PHARMACEUTICALS, INC.

By: _____
Name: _____
Title: _____

BANK USE ONLY

Received by: _____
AUTHORIZED SIGNER
Date: _____

Verified: _____
AUTHORIZED SIGNER
Date: _____

Compliance Status: Yes No

FIRST AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

This First Amendment to Loan and Security Agreement (this "Amendment") is entered into this 4th day of June, 2014, by and between Silicon Valley Bank ("Bank") and Tracon Pharmaceuticals, Inc., a Delaware corporation ("Borrower"), whose address is 8910 University Center Lane, Suite 700, San Diego, CA 92122.

RECITALS

A. Bank and Borrower have entered into that certain Loan and Security Agreement dated as of November 14, 2013 (as the same may from time to time be amended, modified, supplemented or restated, the "Loan Agreement").

B. Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

C. Borrower has requested that Bank amend the Loan Agreement to (i) make available to Borrower an additional growth capital loan facility and (ii) make certain other revisions to the Loan Agreement as more fully set forth herein.

D. Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

2. Amendments to Loan Agreement.

2.1 Section 2.1 (Promise to Pay). The following new Section 2.1.2 is hereby added to Section 2.1:

2.1.2 **Growth Capital Loan**.

(a) Availability. Subject to the terms and conditions of this Agreement, Bank agrees to make advances to Borrower (each a "**Growth Capital Advance**" and collectively the "**Growth Capital Advances**"), from time to time, prior to the Growth Capital Commitment Termination Date, in an aggregate amount not to exceed the Growth Capital Loan Commitment. After repayment, no Growth Capital Advance may be reborrowed.

(i) Bank shall make one (1) Growth Capital Advance to Borrower in a principal amount equal to Five Million Dollars ($5,000,000) of the Growth Capital Loan Commitment on or about the First Amendment Date.

(ii) The remaining Two Million Five Hundred Thousand Dollars ($2,500,000) of the Growth Capital Loan Commitment (the "**Second Tranche**") shall be available through the Growth Capital Commitment Termination Date, provided Borrower delivers to Bank evidence reasonably satisfactory to Bank that Borrower has commenced the Inlyta combination Phase 2b trial. Only one Growth Capital Advance shall be permitted under the Second Tranche.

(b) Repayment of Growth Capital Advance.

(i) Interest-Only Payments. For each Growth Capital Advance, Borrower shall make monthly payments of interest-only commencing on the first (1st) Business Day of the first (1st) month following the month in which the Funding Date occurs with respect to such Growth Capital Advance and continuing thereafter during the Growth Capital Interest-Only Period, on the first (1st) Business Day of each successive month.

(ii) Principal and Interest Payments. For each Growth Capital Advance outstanding as of the last day of the Growth Capital Interest-Only Period, Borrower shall make twenty-four (24) consecutive equal monthly payments of principal and accrued but unpaid interest commencing on the first (1st) Business Day of the first (1st) month after the Growth Capital Interest-Only Period (the "**Growth Capital Conversion Date**"), in amounts that would fully amortize the applicable Growth Capital Advance, as of the Growth Capital Conversion Date, over the Growth Capital Repayment Period. The Growth Capital Final Payment and all unpaid principal and accrued and unpaid interest on each Growth Capital Advance are due and payable in full on the Growth Capital Maturity Date.

(c) Voluntary Prepayment. Borrower shall have the option to prepay all Growth Capital Advances in full, provided Borrower (i) shall provide written notice to Bank of its election to prepay the Growth Capital Advances at least ten (10) days prior to such prepayment and (ii) pays, on the date of such prepayment, (a) all outstanding principal and accrued but unpaid interest, plus (b) the Prepayment Fee, plus (c) the Growth Capital Final Payment, plus (d) all other sums, including Bank Expenses, if any, that shall have become due and payable.

(d) Mandatory Prepayment Upon an Acceleration. If the Growth Capital Advances are accelerated following the occurrence of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (i) all outstanding principal and accrued but unpaid interest, plus (ii) the Prepayment Fee, plus (iii) the Growth Capital Final Payment, plus (iv) all other sums, including Bank Expenses, if any, that shall have become due and payable.

(e) Mandatory Prepayment Upon Redemption. If Borrower shall receive a Redemption Request (as defined in Borrower's Restated Certificate of Incorporation, as amended), Borrower shall immediately, and prior to any payment in respect of any such Redemption Request, pay to Bank an amount equal to the sum of (i) all outstanding principal and accrued but unpaid interest, plus (ii) the Prepayment Fee, plus (iii) the Growth Capital Final Payment, plus (iv) all other sums, including Bank Expenses, if any, that shall have become due and payable.

2.2 Section 2.2 (Payment of Interest on the Credit Extensions). Section 2.2(a) is amended in its entirety and replaced with the following:

(a) Interest Rate.

(i) Term Loan. Subject to Section 2.2(b), the principal amount outstanding for the Term Loan shall accrue interest at a fixed per annum rate equal to five percent (5.0%), which shall be payable monthly.

(ii) Growth Capital Advances. Subject to Section 2.2(b), the principal amount outstanding for each Growth Capital Advance shall accrue interest at a fixed per annum rate equal to four and one half percent (4.50%), which shall be payable monthly.

2.3 Section 8.1 (Payment Default). The parenthetical in Section 8.1(b) is hereby amended by adding "or the Growth Capital Maturity Date" immediately after "the Term Loan Maturity Date".

2.4 Section 12.1 (Termination Prior to Maturity Date; Survival). The second sentence in Section 12.1 is amended in its entirety and replaced with the following:

So long as Borrower has satisfied the Obligations (other than inchoate indemnity obligations, any other obligations which, by their terms, are to survive the termination of this Agreement, and any Obligations under Bank Services Agreements that are cash collateralized in accordance with Section 4.1 of this Agreement), this Agreement may be terminated prior to the Term Loan Maturity Date and/or the Growth Capital Maturity Date by Borrower in accordance with Sections 2.1.1 and/or 2.1.2, respectively.

2.5 Section 12.2 (Successors and Assigns). The parenthetical in the third sentence of Section 12.2 is hereby amended by adding "and the Growth Capital Warrant" immediately after "the Warrant".

2.6 Section 13 (Definitions). The following terms and their respective definitions are hereby added to Section 13.1 in their appropriate alphabetical order:

"**First Amendment Date**" means June 4, 2014.

"**Growth Capital Advance**" is defined in Section 2.1.2(a).

"**Growth Capital Commitment Termination Date**" is October 31, 2014.

"**Growth Capital Conversion Date**" is defined in Section 2.1.2(b).

"**Growth Capital Final Payment**" is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) due in accordance with Section 2.1.2 above, equal to the original principal amount of the applicable Growth Capital Advance multiplied by the Growth Capital Final Payment Percentage.

"**Growth Capital Final Payment Percentage**" is nine percent (9.0%).

"**Growth Capital Interest-Only Period**" means, for any Growth Capital Advance, the period commencing on the first (1st) Business Day following the Funding Date of such Growth Capital Advance and continuing through November 30, 2014.

"**Growth Capital Loan Commitment**" is Seven Million Five Hundred Thousand Dollars ($7,500,000).

"**Growth Capital Maturity Date**" is November 1, 2016.

"**Growth Capital Repayment Period**" is a period of time commencing on the Growth Capital Conversion Date and ending on the Growth Capital Maturity Date.

"**Growth Capital Warrant**" is that certain Warrant to Purchase Stock dated as of the First Amendment Date executed by Borrower in favor of Bank.

"**Prepayment Fee**" shall be, with respect to the prepayment of any portion of any Growth Capital Advance, an amount equal to two percent (2%) of the outstanding principal balance of such Growth Capital Advance or portion thereof being prepaid, provided that no Prepayment Fee shall be charged if the Growth Capital Advances hereunder are replaced with a new facility from Bank or Bank's Affiliates.

"**Second Tranche**" is defined in Section 2.1.2(a).

2.7 Section 13 (Definitions). The following terms and their respective definitions set forth in Section 13.1 are amended in their entirety and replaced with the following:

"**Credit Extension**" is the Term Loan, the Growth Capital Advances or any other extension of credit by Bank for Borrower's benefit under this Agreement.

"**Loan Documents**" are, collectively, this Agreement and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, the Warrant, the Growth Capital Warrant, any Bank Services Agreement, any subordination agreement, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement by Borrower and/or any Guarantor with or for the benefit of Bank in connection with this Agreement or Bank Services, all as amended, restated, or otherwise modified.

"**Obligations**" are Borrower's obligation to pay when due any debts, principal, interest, fees, Bank Expenses, and other amounts Borrower owes Bank now or later, whether under this Agreement, the other Loan Documents (other than the Warrant and the Growth Capital Warrant), or otherwise, including, without limitation, any interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and the performance of Borrower's duties under the Loan Documents (other than the Warrant and the Growth Capital Warrant).

3. Limitation of Amendments.

3.1 The amendments set forth in Section 2, above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

3.2 This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

4. Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

4.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

4.2 Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

4.3 The organizational documents of Borrower most recently delivered to Bank remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

4.4 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

4.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

4.6 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

4.7 This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

5. Integration. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

6. Counterparts. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

7. Effectiveness. This Amendment shall be deemed effective upon (a) the due execution and delivery to Bank of this Amendment by each party hereto, (b) Borrower's delivery to Bank of a duly executed signature to the Growth Capital Warrant, and (c) payment of Bank's legal fees and expenses in connection with the negotiation and preparation of this Amendment.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BANK		**BORROWER**	
Silicon Valley Bank		Tracon Pharmaceuticals, Inc.	
By:	/s/ Anthony Flores	By:	/s/ C. Theuer
Name:	Anthony Flores	Name:	C. Theuer
Title:	Vice President	Title:	CEO

PUBLIC HEALTH SERVICE

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT FOR EXTRAMURAL-PHS CLINICAL RESEARCH

This Agreement is based on the model Cooperative Research and Development Agreement ("CRADA") adopted by the U.S. Public Health Service ("PHS") Technology Transfer Policy Board for use by components of the National Institutes of Health ("NIH"), the Centers for Disease Control and Prevention ("CDC"), and the Food and Drug Administration ("FDA"), which are agencies of the PHS within the Department of Health and Human Services ("HHS").

This Cover Page identifies the Parties to this CRADA:

The U.S. Department of Health and Human Services, as represented by
National Cancer Institute
an Institute, Center, or Division (hereinafter referred to as the "ICD") of the
National Institutes of Health

and

Tracon Pharmaceuticals, Inc.,
hereinafter referred to as the "Collaborator,"
having offices at 4510 Executive Drive, Suite 330, San Diego, CA 92121,
created and operating under the laws of Delaware.

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT FOR EXTRAMURAL-PHS CLINICAL RESEARCH

Article 1. Introduction

This CRADA between ICD and Collaborator will be effective when signed by the Parties, which are identified on both the Cover Page and the Signature Page (page 22). The official contacts for the Parties are identified on the Contacts Information Page (page 23). Publicly available information regarding this CRADA appears on the Summary Page (page 24). The research and development activities that will be undertaken by ICD, ICD's contractors or grantees, and Collaborator in the course of this CRADA are detailed in the Research Plan, attached as Appendix A. The staffing, funding, and materials contributions of the Parties are set forth in Appendix B. Any changes to the model CRADA are set forth in Appendix C.

Article 2. Definitions

The terms listed in this Article will carry the meanings indicated throughout the CRADA. To the extent a definition of a term as provided in this Article is inconsistent with a corresponding definition in the applicable sections of either the United States Code (U.S.C.) or the Code of Federal Regulations (C.F.R.), the definition in the U.S.C. or C.F.R. will control.

"**Adverse Drug Experience**" or "**ADE**" means an Adverse Event associated with the use of the Test Article, that is, an event where there is a reasonable possibility that the Test Article may have caused the event (a relationship between the Test Article and the event cannot be ruled out), in accordance with the definitions of 21 C.F.R. Part 310, 305, or 312, or other applicable regulations.

"**Adverse Event**" or "**AE**" means any untoward medical occurrence in a Human Subject administered Test Article. An AE does not necessarily have a causal relationship with the Test Article, that is, it can be any unfavorable and unintended sign (including an abnormal laboratory finding), symptom, or disease temporally associated with the use of the Test Article, whether or not it is related to it. See FDA Good Clinical Practice Guideline (International Conference on Harmonisation (ICH) E6: "Good Clinical Practice: Consolidated Guidance, 62 Federal Register 25, 691 (1997)).

"**Affiliate**" means any corporation or other business entity controlled by, controlling, or under common control with Collaborator at any time during the term of the CRADA. For this purpose, "control" means direct or indirect beneficial ownership of at least fifty percent (50%) of the voting stock or at least fifty percent (50%) interest in the income of the corporation or other business entity.

"**Annual Report**" means the report of progress of an IND-associated investigation that the Sponsor must submit to the FDA within sixty (60) days of the anniversary of the effective date of the IND (pursuant to 21 C.F.R. § 312.33).

"**Background Invention**" means an Invention conceived and first actually reduced to practice before the Effective Date.

"**Clinical Data in ICD's Possession and Control**" means all Raw Data that ICD employees create directly; and all copies of Raw Data and Summary Data that ICD obtains from Clinical Investigators or contractors performing CRADA activities.

"**Clinical Investigator**" means, in accordance with 21 C.F.R. § 312.3, an individual who actually conducts a clinical investigation, that is, who directs the administration or dispensation of Test Article to a subject, and who assumes responsibility for studying Human Subjects, for recording and ensuring the integrity of research data, and for protecting the welfare and safety of Human Subjects.

"**Clinical Research Site(s)**" means the site(s) at which the Protocol(s) described in the Research Plan will be performed.

"**Collaborator Materials**" means all tangible materials not first produced in the performance of this CRADA that are owned or controlled by Collaborator and used in the performance of the Research Plan. The term "Collaborator Materials" does not include "Test Article" (defined below).

"**Confidential Information**" means confidential scientific, business, financial information, or Identifiable Private Information provided that Confidential Information does not include:

(a) information that is publicly known or that is available from public sources;

(b) information that has been made available by its owner to others without a confidentiality obligation;

(c) information that is already known by the receiving Party, or information that is independently created or compiled by the receiving Party without reference to or use of the provided information; or

(d) information that relates to potential hazards or cautionary warnings associated with the production, handling, or use of the subject matter of the Research Plan.

"**Cooperative Research and Development Agreement**" or "**CRADA**" means this Agreement, entered into pursuant to the Federal Technology Transfer Act of 1986, as amended (15 U.S.C. §§ 3710a *et seq.*), and Executive Order 12591 of April 10, 1987.

"**CRADA Data**" means information developed by or on behalf of the Parties in the performance of the Research Plan, excluding Raw Data.

"**CRADA Materials**" means all tangible materials first produced in the performance of the Research Plan other than CRADA Data.

"**CRADA Principal Investigator(s)**" or "**CRADA PI(s)**" means the person(s) designated by the Parties who will be responsible for the scientific and technical conduct of the Research Plan.

"**CRADA Subject Invention**" means any Invention of either or both Parties, conceived or first actually reduced to practice in the performance of the Research Plan.

"**Drug Master File**" or "**DMF**" is described in 21 C.F.R. Part 314.420. A DMF is a submission to the FDA that may be used to provide confidential detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging, and storing of one or more human drugs.

"**Effective Date**" means the date of the last signature of the Parties executing this Agreement.

"**Government**" means the Government of the United States of America.

"**Human Subject**" means, in accordance with the definition in 45 C.F.R. § 46.102(f), a living individual about whom an investigator conducting research obtains:

(a) data through intervention or interaction with the individual; or
(b) Identifiable Private Information.

"**ICD Materials**" means all tangible materials not first produced in the performance of this CRADA that are owned or controlled by ICD and used in the performance of the Research Plan.

"**IND**" means an "**Investigational New Drug Application**," filed in accordance with 21 C.F.R. Part 312 under which clinical investigation of an experimental drug or biologic (Test Article) is performed in Human Subjects in the United States or intended to support a United States licensing action.

"**Identifiable Private Information**" or "**IPI**" about a Human Subject means private information from which the identity of the subject is or may readily be ascertained. Regulations defining and governing this information include 45 C.F.R. Part 46 and 21 C.F.R. Part 50.

"**Institutional Review Board**" or "**IRB**" means, in accordance with 45 C.F.R. Part 46, 21 C.F.R. part 56, and other applicable regulations, an independent body comprising medical, scientific, and nonscientific members, whose responsibility is to ensure the protection of the rights, safety, and well-being of the Human Subjects involved in a study.

"**Invention**" means any invention or discovery that is or may be patentable or otherwise protected under Title 35 of the United States Code, or any novel variety of plant which is or may be protectable under the Plant Variety Protection Act, 7 U.S.C. §§ 2321 *et seq*.

"**Investigator's Brochure**" means, in accordance with the definition in 21 C.F.R. § 312.23(a)(5), a document containing information about the Test Article, including animal screening, preclinical toxicology, and detailed pharmaceutical data, including a description of possible risks and side effects to be anticipated on the basis of prior experience with the drug or related drugs, and precautions, such as additional monitoring, to be taken as part of the investigational use of the drug.

"**Patent Application**" means an application for patent protection for a CRADA Subject Invention with the United States Patent and Trademark Office ("U.S.P.T.O.") or the corresponding patent-issuing authority of another nation.

"**Patent**" means any issued United States patent, any international counterpart(s), and any corresponding grant(s) by a non-U.S. government in place of a patent.

"**Placebo**" means an inactive substance identical in appearance to the material being tested that is used to distinguish between drug action and suggestive effect of the material under study.

"**Protocol**" means the formal, detailed description of a study to be performed as provided for in the Research Plan. It describes the objective(s), design, methodology, statistical considerations, and organization of a trial. For the purposes of this CRADA, the term, Protocol, for clinical research involving Human Subjects, includes any and all associated documents, including informed consent forms, to be provided to Human Subjects and potential participants in the study.

"**Raw Data**" means the primary quantitative and empirical data first collected from experiments and clinical trials conducted within the scope of this CRADA.

"**Research Plan**" means the statement in Appendix A of the respective research and development commitments of the Parties. The Research Plan should describe the provisions for sponsoring the IND, clinical and safety monitoring, and data management.

"**Sponsor**" means, in accordance with the definition in 21 C.F.R. § 312.3, an organization or individual who assumes legal responsibility for supervising or overseeing clinical trials with Test Articles, and is sometimes referred to as the IND holder.

"**Steering Committee**" means the research and development team whose composition and responsibilities with regard to the research performed under this CRADA are described in Appendix A.

"**Summary Data**" means any extract or summary of the Raw Data, generated either by or, on behalf of, ICD or by, or on behalf of, Collaborator. Summary Data may include extracts or summaries that incorporate IPI.

"**Test Article**" means, in accordance with 21 C.F.R. § 50.3(j), any drug (including a biological product), medical device, food additive, color additive, electronic product, or any other article subject to regulation under the Federal Food, Drug, and Cosmetic Act that is intended for administration to humans or animals, including a drug or biologic as identified in the Research Plan and Appendix B, that is used within the scope of the Research Plan. The Test Article may also be referred to as Investigational Agent, Study Material, or Study Product.

Article 3. Cooperative Research and Development

3.1 **Performance of Research and Development**. The research and development activities to be carried out under this CRADA will be performed by the Parties identified on the Cover Page, as well as ICD's contractors or grantees as described in the Research Plan. However, ICD's contractors or grantees are not Parties to the CRADA, and this CRADA does not grant to Collaborator any rights to Inventions made by ICD's contractors or grantees. The CRADA PIs will be responsible for coordinating the scientific and technical conduct of this project on behalf of their employers. Any Collaborator employees who will work at ICD facilities will be required to sign a Guest Researcher or Special Volunteer Agreement appropriately modified in view of the terms of this CRADA.

3.2 **Research Plan**. The Parties recognize that the Research Plan describes the collaborative research and development activities they will undertake and that interim research goals set forth in the Research Plan are good faith guidelines. Should events occur that require modification of these goals, then by mutual agreement the Parties can modify them through an amendment, according to Paragraph 13.6.

3.3 **Use and Disposition of Collaborator Materials and ICD Materials**. The Parties agree to use Collaborator Materials and ICD Materials only in accordance with the Research Plan and Protocol(s), not to transfer these materials to third parties except in accordance with the Research Plan and Protocol(s) or as approved by the owning or providing Party, and, upon expiration or termination of the CRADA, to dispose of these materials as directed by the owning or providing Party.

3.4 **Third-Party Rights in Collaborator's CRADA Subject Inventions**. If Collaborator has received (or will receive) support of any kind from a third party in exchange for rights in any of Collaborator's CRADA Subject Inventions, Collaborator agrees to ensure that its obligations to the third party are both consistent with Articles 6 through 8 and subordinate to Article 7 of this CRADA.

3.5 **Disclosures to ICD**. Prior to execution of this CRADA, Collaborator agrees to disclose to ICD all instances in which outstanding royalties are due under a PHS license agreement and in which Collaborator had a PHS license terminated in accordance with 37 C.F.R. § 404.10. These disclosures will be treated as Confidential Information upon request by Collaborator in accordance with the definition in Article 2 and Paragraphs 8.3 and 8.4.

3.6 **Clinical Investigator Responsibilities**. The Clinical Investigator will be required to submit, or to arrange for submission of, each Protocol associated with this CRADA to all appropriate IRBs, and for ensuring that the IRBs are notified of the role of Collaborator in the research. In addition to the Protocol all associated documents, including informational documents and advertisements, must be reviewed and approved by the appropriate IRB(s) before starting the research at each Clinical Research Site. The research will be done in strict accordance with the Protocol(s) and no substantive changes in a finalized Protocol will be made unless mutually agreed upon, in writing, by the Parties. Research will not commence (or will continue unchanged, if already in progress) until each substantive change to a Protocol, including those required by either the FDA or the IRB, has been integrated in a way acceptable to the Parties, submitted to the FDA (if applicable) and approved by the appropriate IRBs.

3.7 **Investigational Applications**.

3.7.1 If an IND is required either ICD or Collaborator, as indicated in the Research Plan, will submit an IND, and all Clinical Investigators must have completed registration documents on file (1572 forms).

3.7.2 If ICD elects to file its own IND, Collaborator agrees to provide ICD background data and information necessary to support the IND. Collaborator further agrees to provide a letter of cross-reference to all pertinent regulatory filings sponsored by Collaborator. Collaborator's employees will be reasonably available to respond to inquiries from the FDA regarding information and data contained in the Collaborator's IND, DMF, other filings, or other information and data provided to ICD by the Collaborator pursuant to this Article 3. If ICD has provided information or data to assist Collaborator in its IND filing, ICD will provide a letter of cross reference to its IND and respond to inquiries related to information provided by ICD, as applicable.

3.7.3 If Collaborator supplies Confidential Information to ICD in support of an IND filed by ICD, this information will be protected in accordance with the corresponding confidentiality provisions of Article 8.

3.7.4 Collaborator may sponsor its own clinical trials and hold its own IND for studies performed outside the scope of this CRADA. These studies, however, should not adversely affect the ability to accomplish the goal of the Research Plan, for example, by competing for the same study population. All data from those clinical trials are proprietary to Collaborator for purposes of this CRADA.

3.8 **Test Article Information and Supply**. Collaborator agrees to provide ICD without charge and on a schedule that will ensure adequate and timely performance of the research, a sufficient quantity of formulated and acceptably labeled, clinical-grade Test Article (and, as required by the Protocol(s), Placebo) to complete the clinical trial(s) agreed to and approved under this CRADA. Collaborator will provide a Certificate of

Analysis to ICD for each lot of the Test Article provided.

3.9 **Test Article Delivery and Usage**. Collaborator will ship the Test Article and, if required, Placebo to ICD or its designee in containers marked in accordance with 21 C.F.R. § 312.6. ICD agrees that the Clinical Investigators will keep appropriate records and take reasonable steps to ensure that the Test Article is used in accordance with the Protocol(s) and applicable FDA regulations. In addition, ICD agrees that the Test Article (and all Confidential Information supplied by Collaborator relating to the Test Article) will be used solely for the conduct of the CRADA research and development activities. Furthermore, ICD agrees that no analysis or modification of the Test Article will be performed without Collaborator's prior written consent. At the completion of the Research Plan, any unused quantity of Test Article will be returned to Collaborator or disposed as directed by Collaborator. Pharmacy contacts at ICD or its designee will be determined by ICD and communicated to Collaborator.

3.10 **Monitoring**.

3.10.1 The Sponsor or its designee will be primarily responsible for monitoring clinical sites and for assuring the quality of all clinical data, unless otherwise stated in the Research Plan. Monitoring will comply with FDA Good Clinical Practice (International Conference on Harmonisation (ICH) E6: "Good Clinical Practice: Consolidated Guidance; 62 Federal Register 25, 691 (1997)). The other Party may also perform quality assurance oversight. The monitor will communicate significant Protocol violations and submit documentation of monitoring outcomes on Protocol insufficiencies to the other Party in a timely manner.

3.10.2 Subject to the restrictions in Article 8 concerning IPI, and with reasonable advance notice and at reasonable times, ICD will permit Collaborator or its designee(s) access to clinical site(s) to monitor the conduct of the research, as well as to audit source documents containing Raw Data, to the extent necessary to verify compliance with FDA Good Clinical Practice and the Protocol(s).

3.11 **FDA Meetings/Communications**. All meetings with the FDA concerning any clinical trial within the scope of the Research Plan will be discussed by Collaborator and ICD in advance. Each Party reserves the right to take part in setting the agenda for, to attend, and to participate in these meetings. The Sponsor will provide the other Party with copies of FDA meeting minutes, all transmittal letters for IND submissions, IND safety reports, formal questions and responses that have been submitted to the FDA, Annual Reports, and official FDA correspondence, pertaining either to the INDs under this CRADA or to the Clinical Investigators on Protocols performed in accordance with the Research Plan, except to the extent that those documents contain the proprietary information of a third party or dissemination is prohibited by law.

Article 4. Reports

4.1 **Interim Research and Development Reports**. The CRADA PIs should exchange

information regularly, in writing. This exchange may be accomplished through meeting minutes, detailed correspondence, circulation of draft manuscripts, Steering Committee reports, copies of Annual Reports and any other reports updating the progress of the CRADA research. However, the Parties must exchange updated Investigator's Brochure, formulation and preclinical data, and toxicology findings, as they become available.

4.2 **Final Research and Development Reports**. The Parties will exchange final reports of their results within six (6) months after the expiration or termination of this CRADA. These reports will set forth the technical progress made; any publications arising from the research; and the existence of invention disclosures of potential CRADA Subject Inventions and/or any corresponding Patent Applications.

4.3 **Fiscal Reports**. If Collaborator has agreed to provide funding to ICD under this CRADA and upon the request of Collaborator, then concurrent with the exchange of final research and development reports according to Paragraph 4.2, ICD will submit to Collaborator a statement of all costs incurred by ICD for the CRADA. If the CRADA has been terminated, ICD will specify any costs incurred before the date of termination for which ICD has not received funds from Collaborator, as well as for all reasonable termination costs including the cost of returning Collaborator property or removal of abandoned Collaborator property, for which Collaborator will be responsible.

4.4 **Safety Reports**. In accordance with FDA requirements, the Sponsor will establish and maintain records and submit safety reports to the FDA, as required by 21 C.F.R. § 312.32 and 21 C.F.R. 812.150(b)(1), or other applicable regulations. In the conduct of research under this CRADA, the Parties will comply with specific ICD guidelines and policies for reporting ADEs and AEs, as well as procedures specified in the Protocol(s). The Sponsor must provide the other Party with copies of all Safety Reports concurrently with their submission to the FDA, and with any other information affecting the safety of Human Subjects in research conducted under this CRADA.

4.5 **Annual Reports**. The Sponsor will provide the other Party a copy of the Annual Report concurrently with the submission of the Annual Report to the FDA. Annual Reports will be kept confidential in accordance with Article 8.

Article 5. Staffing, Financial, and Materials Obligations

5.1 **ICD and Collaborator Contributions**. The contributions of any staff, funds, materials, and equipment by the Parties are set forth in Appendix B. The Federal Technology Transfer Act of 1986, 15 U.S.C. § 3710a(d)(1) prohibits ICD from providing funds to Collaborator for any research and development activities under this CRADA.

5.2 **ICD Staffing**. No ICD employees will devote 100% of their effort or time to the research and development activities under this CRADA. ICD will not use funds provided by Collaborator under this CRADA for ICD personnel to pay the salary of any permanent ICD employee. Although personnel hired by ICD using CRADA funds will focus principally on CRADA research and development activities, Collaborator acknowledges

that these personnel may nonetheless make contributions to other research and development activities, and the activities will be outside the scope of this CRADA.

5.3 **Collaborator Funding**. Collaborator acknowledges that Government funds received by Collaborator from an agency of the Department of Health and Human Services may not be used to fund ICD under this CRADA. If Collaborator has agreed to provide funds to ICD then the payment schedule appears in Appendix B and Collaborator will make payments according to that schedule. If Collaborator fails to make any scheduled payment, ICD will not be obligated to perform any of the research and development activities specified herein or to take any other action required by this CRADA until the Rinds are received. ICD will use these funds exclusively for the purposes of this CRADA. Each Party will maintain separate and distinct current accounts, records, and other evidence supporting its financial obligations under this CRADA and, upon written request, will provide the other Party a Fiscal Report according to Paragraph 4.3, which delineates all payments made and all obligated expenses, along with the Final Research Report described in Paragraph 4.2.

5.4 **Capital Equipment**. Collaborator's commitment, if any, to provide ICD with capital equipment to enable the research and development activities under the Research Plan appears in Appendix B. If Collaborator transfers to ICD the capital equipment or provides funds for ICD to purchase it, then ICD will own the equipment. If Collaborator loans capital equipment to ICD for use during the CRADA, Collaborator will be responsible for paying all costs and fees associated with the transport, installation, maintenance, repair, removal, or disposal of the equipment, and ICD will not be liable for any damage to the equipment.

Article 6. Intellectual Property

6.1 **Ownership of CRADA Subject Inventions, CRADA Data, and CRADA Materials**. Subject to the Government license described in Paragraph 7.5, the sharing requirements of Paragraph 8.1 and the regulatory filing requirements of Paragraph 8.2, the producing Party will retain sole ownership of and title to all CRADA Subject Inventions, all copies of CRADA Data, and all CRADA Materials produced solely by its employee(s). The Parties will own jointly all CRADA Subject Inventions invented jointly and all CRADA Materials developed jointly. A PHS contractors or grantee's rights in data it generates will not be affected by this CRADA.

6.2 **Reporting**. The Parties will promptly report to each other in writing each CRADA Subject Invention reported by their respective personnel, and any Patent Applications filed thereon, resulting from the research and development activities conducted under this CRADA. Each Party will report all CRADA Subject Inventions to the other Party in sufficient detail to determine inventorship, which will be determined in accordance with U.S. patent law. These reports will be treated as Confidential Information in accordance with Article 8. Formal reports will be made by and to the Patenting and Licensing Offices identified on the Contacts Information Page herein.

6.3 **Filing of Patent Applications**. Each Party will make timely decisions regarding the filing of Patent Applications on the CRADA Subject inventions made solely by its employee(s), and will notify the other Party in advance of filing. Collaborator will have the first opportunity to file a Patent Application on joint CRADA Subject Inventions and will notify PHS of its decision within […***…] days of an Invention being reported or at least […***…] days before any patent filing deadline, whichever occurs sooner. If Collaborator fails to notify PHS of its decision within that time period or notifies PHS of its decision not to file a Patent Application, then PHS has the right to file a Patent Application on the joint CRADA Subject Invention. Neither Party will be obligated to file a Patent Application. Collaborator will place the following statement in any Patent Application it files on a CRADA Subject Invention: "This invention was created in the performance of a Cooperative Research and Development Agreement with the **[INSERT into Agency's model as appropriate: National Institutes of Health, Food and Drug Administration, Centers for Disease Control and Prevention]**, an Agency of the Department of Health and Human Services. The Government of the United States has certain rights in this invention." If either Party files a Patent Application on a joint CRADA Subject Invention, then the filing Party will include a statement within the Patent Application that clearly identifies the Parties and states that the joint CRADA Subject Invention was made under this CRADA.

6.4 **Patent Expenses**. Unless agreed otherwise, the Party filing a Patent Application will pay all preparation and filing expenses, prosecution fees, issuance fees, post issuance fees, patent maintenance fees, annuities, interference expenses, and attorneys' fees for that Patent Application and any resulting Patent(s). If a license to any CRADA Subject Invention is granted to Collaborator, then Collaborator will be responsible for all expenses and fees, past and future, in connection with the preparation, filing, prosecution, and maintenance of any Patent Applications and Patents claiming exclusively licensed CRADA Subject Inventions and will be responsible for a pro-rated share, divided equally among all licensees, of those expenses and fees for non-exclusively licensed CRADA Subject Inventions. Collaborator may waive its exclusive option rights at any time, and incur no subsequent financial obligation for those Patent Application(s) or Patent(s).

6.5 **Prosecution of Patent Applications**. The Party filing a Patent Application will provide the non-filing Party with a copy of any official communication relating to prosecution of the Patent Application within thirty (30) days of transmission of the communication. Each Party

will also provide the other Party with the power to inspect and make copies of all documents retained in the applicable Patent Application or Patent file. The Parties agree to consult with each other regarding the prosecution of Patent Applications directed to joint CRADA Subject Inventions. If Collaborator elects to file and prosecute Patent Applications on joint CRADA Subject Inventions, then Collaborator agrees to use the U.S.P.T.O. Customer Number Practice and/or grant VHS a power(s) of attorney (or equivalent) necessary to assure PHS access to its intellectual property rights in these Patent Applications. PHS and Collaborator will cooperate with each other to obtain necessary signatures on Patent Applications, assignments, or other documents.

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Article 7. Licensing

7.1 **Background Inventions**. Other than as specifically stated in this Article 7, nothing in this CRADA will be construed to grant any rights in one Party's Background Invention(s) to the other Party, except to the extent necessary for the Parties to conduct the research and development activities described in the Research Plan.

7.2 **Collaborator's License Option to CRADA Subject Inventions**. With respect to Government rights to any CRADA Subject Invention made solely by an ICD employee(s) or made jointly by an ICD employee(s) and a Collaborator employee(s) for which a Patent Application was filed, PBS hereby grants to Collaborator an exclusive option to elect an exclusive or nonexclusive commercialization license. The license will be substantially in the form of the appropriate model PHS license agreement and will fairly reflect the nature of the CRADA Subject Invention, the relative contributions of the Parties to the CRADA Subject Invention and the CRADA, a plan for the development and marketing of the CRADA Subject Invention, the risks incurred by Collaborator, and the costs of subsequent research and development needed to bring the CRADA Subject Invention to the marketplace. The field of use of the license will not exceed the scope of the Research Plan.

7.3 **Exercise of Collaborator's License Option**. To exercise the option of Paragraph 7.2 Collaborator must submit a written notice to the PHS Patenting and Licensing Contact identified on the Contacts Information Page (and provide a copy to the ICD Contact for CRADA Notices) within […***…] months after either (i) Collaborator receives written notice from PHS that the Patent Application has been filed or (ii) the date on which Collaborator files the Patent Application. The written notice exercising this option will include a completed "Application for License to Public Health Service Inventions" and will initiate a negotiation period that expires […***…] months after the exercise of the option. If PHS has not responded in writing to the last proposal by Collaborator within this […***…] month period, the negotiation period will be extended to expire […***…] after PHS so responds, during which […***…] Collaborator may accept in writing the final license proposal of PHS. In the absence of Collaborator's exercise of the option, or upon election of a nonexclusive license, PHS will be free to license the CRADA Subject Invention to others. These time periods may be extended at the sole discretion of PHS upon good cause shown in writing by Collaborator.

7.4 **Government License in ICD Sole CRADA Subject Inventions and Joint CRADA Subject Inventions**. Pursuant to 15 U.S.C. § 3710a(b)(1)(A), for CRADA Subject Inventions owned solely by ICD or jointly by ICD and Collaborator, and licensed pursuant to the option of Paragraph 7.2, Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the CRADA Subject Invention or have the CRADA Subject Invention practiced throughout the world by or on behalf of the Government. In the exercise of this license, the Government will not publicly disclose trade secrets or commercial or financial information that is privileged or confidential within the meaning of 5 U.S.C. § 552(b)(4) or which would be

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considered privileged or confidential if it had been obtained from a non-federal party.

7.5 **Government License in Collaborator Sole CRADA Subject Inventions**. Pursuant to 15 U.S.C. § 3710a(b)(2), for CRADA Subject Inventions made solely by an employee of Collaborator, Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the CRADA Subject Invention or have the CRADA Subject Invention practiced throughout the world by or on behalf of the Government for research or other Government purposes.

7.6 **Third Party License**. Pursuant to 15 U.S.C. § 3710a(b)(1)(B), if PHS grants Collaborator an exclusive license to a CRADA Subject Invention made solely by an ICD employee or jointly with a Collaborator employee, the Government will retain the right to require Collaborator to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive sublicense to use the CRADA Subject Invention in Collaborator's licensed field of use on terms that are reasonable under the circumstances; or, if Collaborator fails to grant a license, to grant a license itself. The exercise of these rights by the Government will only be in exceptional circumstances, and only if the Government determines (i) the action is necessary to meet health or safety needs that are not reasonably satisfied by Collaborator, (ii) the action is necessary to meet requirements for public use specified by federal regulations, and such requirements are not reasonably satisfied by Collaborator; or (iii) Collaborator has failed to comply with an agreement containing provisions described in 15 U.S.C. § 3710a(c)(4)

(B). The determination made by the Government under this Paragraph is subject to administrative appeal and judicial review under 35 U.S.C. § 203(2).

7.7 **Third-Party Rights In ICD Sole CRADA Subject Inventions**. For a CRADA Subject Invention conceived prior to the Effective Date solely by an ICD employee that is first actually reduced to practice after the Effective Date in the performance of the Research Plan, the option offered to Collaborator in Paragraph 7.2 may be restricted if, prior to the Effective Date, PHS had filed a Patent Application and has either offered or granted a license in the CRADA Subject Invention to a third party. Collaborator nonetheless retains the right to apply for a license to any such CRADA Subject Invention in accordance with the terms and procedures of 35 U.S.C. § 209 and 37 C.F.R. Part 404.

7.8 **Joint CRADA Subject Inventions Not Exclusively Licensed by Collaborator**. If Collaborator does not acquire an exclusive commercialization license in a joint CRADA Subject Invention in all fields of use then, for those fields of use not exclusively licensed to Collaborator, each Party will have the right to use the joint CRADA Subject Invention and to license its use to others, and each Party will cooperate with the other, as necessary, to fulfill international licensing requirements. The Parties may agree to a joint licensing approach for any remaining fields of use.

Article 8. Rights of Access and Publication

8.1 **Right of Access to CRADA Data and CRADA Materials**. ICD and Collaborator agree to exchange all CRADA Data and to share all CRADA Materials. If the CRADA is

terminated, both parties agree to provide CRADA Materials in quantities needed to complete the Research Plan. Such provision will occur before the termination date of the CRADA or sooner, if required by the Research Plan. If Collaborator possesses any human biological specimens from clinical trials under the CRADA, the specimens must be handled as described in the Protocol or as otherwise directed by ICD before the termination date of the CRADA.

8.2 **Use of CRADA Data and CRADA Materials**. The Parties will be free to utilize CRADA Data and CRADA Materials internally for their own purposes, consistent with their obligations under this CRADA. ICD may share CRADA Data or CRADA Materials with any contractors, grantees, or agents it has engaged to conduct the CRADA research and development activities, provided the obligations of this Article 8.2 are simultaneously conveyed. Collaborator may share CRADA Data or CRADA Materials with any contractors, Affiliates, or agents it has engaged to conduct the CRADA research and development activities, provided the obligations of this Article 8.2 are simultaneously conveyed.

8.2.1 **CRADA Data**.
Collaborator and ICD will use reasonable efforts to keep CRADA Data confidential until published or until corresponding Patent Applications are filed. To the extent permitted by law, each Party will have the right to use any and all CRADA Data in and for any regulatory filing by or on behalf of the Party.

8.2.2 **CRADA Materials**.
Collaborator and ICD will use reasonable efforts to keep descriptions of CRADA Materials confidential until published or until corresponding Patent Applications are filed. Collaborator acknowledges that the basic research mission of PHS includes sharing with third parties for further research those research resources made in whole or in part with NIH funding. Consistent with this mission and the tenets articulated in "Sharing of Biomedical Research Resources: Principles and Guidelines for Recipients of NIH Research Grants and Contracts," December 1999, available at http://ott.od.nih.gov/NewPages/RTguide_final.html, following publication either Party may make available to third parties for further research those CRADA Materials made jointly by both PHS and Collaborator. Notwithstanding the above, if those joint CRADA Materials are the subject of a pending Patent Application or a Patent, or were created using a patent-pending or patented material or technology, the Parties may agree to restrict distribution or freely distribute them. Either Party may distribute those CRADA Materials made solely by the other Party only upon written consent from that other Party or that other Party's designee.

8.3 **Confidential Information**. Each Party agrees to limit its disclosure of Confidential Information to the amount necessary to carry out the Research Plan, and will place a confidentiality notice on all this information. A Party orally disclosing Confidential Information to the other Party will summarize the disclosure in writing and provide it to the other Party within fifteen (15) days of the disclosure. Each Party receiving

Confidential Information agrees to use it only for the purposes described lo the Research Plan. Either Party may object to the designation of information as Confidential Information by the other Party.

8.4 **Protection of Confidential Information**. Confidential Information will not be disclosed, copied, reproduced or otherwise made available to any other person or entity without the consent of the owning or providing Party except as required by a court or administrative body of

competent jurisdiction, or federal law or regulation. Each Party agrees to use reasonable efforts to maintain the confidentiality of Confidential Information, which will in no instance be less effort than the Party uses to protect its own Confidential Information. Each Party agrees that a Party receiving Confidential Information will not be liable for the disclosure of that portion of the Confidential Information which, after notice to and consultation with the disclosing Party, the receiving Party determines may not be lawfully withheld, provided the disclosing Party has been given a reasonable opportunity to seek a court order to enjoin disclosure.

8.5 **Human Subject Protection**. The research to be conducted under this CRADA involves Human Subjects or human tissues within the meaning of 45 C.F.R. Part 46, and all research to be performed under this CRADA will conform to applicable federal laws and regulations. Additional information is available from the HHS Office for Human Research Protections (http://www.hhs.gov/ohrp/).

8.6 **Duration of Confidentiality Obligation**. The obligation to maintain the confidentiality of Confidential Information will expire at the earlier of the date when the information is no longer Confidential Information as defined in Article 2 or […***…] years after the expiration or termination date of this CRADA, except for IPI, for which the obligation to maintain confidentiality will extend indefinitely. Collaborator may request an extension to this term when necessary to protect Confidential Information relating to products not yet commercialized.

8.7 **Publication**. The Parties are encouraged to make publicly available the results of their research and development activities. Before either Party submits a paper or abstract for publication or otherwise intends to publicly disclose information about a CRADA Subject Invention, CRADA Data, or CRADA Materials, the other Party will have thirty (30) days to review proposed manuscripts and three (3) days to review proposed abstracts to assure that Confidential Information is protected. Either Party may request in writing that the proposed publication or other disclosure be delayed for up to thirty (30) additional days as necessary to file a Patent Application.

8.8 **Clinical Investigators' Research and Development Activities**. Although this CRADA does not grant to Collaborator any rights to Inventions made or Raw Data generated by ICD's contractors or grantees, as they are not parties to this CRADA, ICD agrees that:

8.8.1 Subject to the other provisions of Article 8 of this CRADA, ICD will maintain, to the extent permitted by law, all Clinical Data in ICD's Possession and Control as Confidential Information, and make them available to Collaborator for its own use

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and for exclusive use in obtaining regulatory approval for the commercial marketing of Test Article and relied CRADA Subject Inventions.

8.8.2 With regard to Collaborator's Confidential Information, ICD will require the Clinical Investigators to agree to confidentiality provisions at least as restrictive as those provided in this CRADA and to Collaborator's use of data in accordance with Paragraph 8.8.1 for obtaining regulatory approval for marketing Test Article.

8.8.3 If Collaborator wants access to Raw Data or any other data in the possession of the Clinical Investigators working with Test Article, Collaborator must first contact the CRADA PI. Collaborator will bear any costs associated with Raw Data provided in formats customized for Collaborator.

8.8.4 Collaborator's right to access Clinical Data in ICD's Possession and Control under Paragraph 8.8 is dependent upon Collaborator's continued development and commercialization of Investigational Agent. If Collaborator fails to continue development or commercialization of Investigational Agent without the transfer of its development efforts to another party within […***…] days of discontinuation, ICD has the right to make Clinical Data in ICD's Possession and Control available to a third party.

Article 9. Representations and Warranties

9.1 **Representations of ICD**. ICD hereby represents to Collaborator that:

9.1.1 ICD has the requisite power and authority to enter into this CRADA and to perform according to its terms, and that ICD's official signing this CRADA has authority to do so.

9.1.2 To the best of its knowledge and belief, neither ICD nor any of its personnel involved in this CRADA is presently subject to debarment or suspension by any agency of the Government which would directly affect its performance of the CRADA. Should ICD or any of its personnel involved in this CRADA be debarred or suspended during the term of this CRADA, ICD will notify Collaborator within thirty (30) days of receipt of final notice.

9.2 **Representations and Warranties of Collaborator**. Collaborator hereby represents and warrants to ICD that:

9.2.1 Collaborator has the requisite power and authority to enter into this CRADA and to perform according to its terms, and that Collaborator's official signing this CRADA has authority to do so.

9.2.2 Neither Collaborator nor any of its personnel involved in this CRADA, including Affiliates, agents, and contractors are presently subject to debarment or suspension by any agency of the Government. Should Collaborator or any of its

personnel involved in this CRADA be debarred or suspended during the term of this CRADA, Collaborator will notify ICD within thirty (30) days of receipt of final notice.

9.2.3 Subject to Paragraph 12.3, and if and to the extent Collaborator has agreed to provide funding under Appendix B, Collaborator is financially able to satisfy these obligations in a timely manner.

9.2.4 The Test Article provided has been produced in accordance with the FDA's current Good Manufacturing Practice set out in 21 C.F.R. §§ 210-211, and ICH QA7, and meets the specifications cited in the Certificate of Analysis and Investigator's Brochure provided.

Article 10. Expiration and Termination

10.1 **Expiration**. This CRADA will expire on the last date of the term set forth on the Summary Page. In no case will the term of this CRADA extend beyond the term indicated on the Summary Page unless it is extended in writing in accordance with Paragraph 13.6.

10.2 **Termination by Mutual Consent**. ICD and Collaborator may terminate this CRADA at any time by mutual written consent.

10.3 **Unilateral Termination**. Either ICD or Collaborator may unilaterally terminate this CRADA at any time by providing written notice at least sixty (60) days before the desired termination date. ICD may, at its option, retain funds transferred to ICD before unilateral termination by Collaborator for use in completing the Research Plan. If Collaborator terminates this Agreement before the completion of all approved or active Protocol(s), then Collaborator will supply enough Test Article (and Placebo, if applicable) to complete these Protocol(s) unless termination is for safety concerns.

10.4 **Funding for ICD Personnel**. If Collaborator has agreed to provide funding for ICD personnel and this CRADA is mutually or unilaterally terminated by Collaborator before its expiration, then Collaborator agrees that funds for that purpose will be available to ICD for a period of […***…] months after the termination date or until the expiration date of the CRADA, whichever occurs sooner. If there are insufficient funds to cover this expense, Collaborator agrees to pay the difference.

10.5 **New Commitments**. Neither Party will incur new expenses related to this CRADA after expiration, mutual termination, or a notice of a unilateral termination and will, to the extent feasible, cancel all outstanding commitments and contracts by the termination date. Collaborator acknowledges that ICD will have the authority to retain and expend any funds for up to […***…] year subsequent to the expiration or termination date to cover any unpaid costs obligated during the term of the CRADA in undertaking the research and development activities set forth in the Research Plan.

10.6 **Collaborator Failure to Continue Development**. If Collaborator suspends development of the Test Article without the transfer of its active development efforts, assets, and obligations to a third party within […***…] days of discontinuation, Collaborator agrees that ICD may continue developing the Test Article. In that event, the following will apply:

10.6.1 Collaborator agrees to transfer to ICD all information necessary to enable ICD to contract for the manufacture of the Test Article and, unless abandoned for reasons relating to safety as determined by the data safety monitoring board, to provide the Test Article (and Placebo, if any) in Collaborator's inventory to ICD.

10.6.2 Further, Collaborator hereby grants to ICD a nonexclusive, irrevocable, world-wide, paid-up license to practice, or have practiced for or on behalf of the Government, any Background Invention that Collaborator may currently have or will obtain on the Test Article, its manufacture, or on any method of using the Test Article for the indication(s) described in the Research Plan, including the right to sublicense to third parties.

Article 11. Disputes

11.1 **Settlement**. Any dispute arising under this CRADA which is not disposed of by agreement of the CRADA Principal Investigators will be submitted jointly to the signatories of this CRADA. If the signatories, or their designees, are unable to jointly resolve the dispute within thirty (30) days after notification thereof, the Assistant Secretary for Health (or his/her designee or successor) will propose a resolution. Nothing in this Paragraph will prevent any Party from pursuing any additional administrative remedies that may be available and, after exhaustion of such administrative remedies, pursuing all available judicial remedies.

11.2 **Continuation of Work**. Pending the resolution of any dispute or claim pursuant to this Article 11, the Parties agree that performance of all obligations will be pursued diligently.

Article 12. Liability

12.1 **NO WARRANTIES**. EXCEPT AS SPECIFICALLY STATED IN ARTICLE 9, THE PARTIES MAKE NO EXPRESS OR IMPLIED WARRANTY AS TO ANY MATTER WHATSOEVER, INCLUDING THE CONDITIONS OF THE RESEARCH OR ANY INVENTION OR MATERIAL, WHETHER TANGIBLE OR INTANGIBLE, MADE OR DEVELOPED UNDER OR OUTSIDE THE SCOPE OF THIS CRADA, OR THE OWNERSHIP, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE RESEARCH OR ANY INVENTION OR MATERIAL, OR THAT A TECHNOLOGY UTILIZED BY A PARTY IN THE PERFORMANCE OF THE RESEARCH PLAN DOES NOT INFRINGE ANY THIRD-PARTY PATENT RIGHTS.

12.2 **Indemnification and Liability**. Collaborator agrees to hold the Government harmless

and to indemnify the Government for all liabilities, demands, damages, expenses and losses arising out of the use by Collaborator for any purpose of the CRADA Data, CRADA Materials or CRADA Subject Inventions produced in whole or part by ICD employees under this CRADA, unless due to the negligence or willful misconduct of ICD, its employees, or agents. The Government has no statutory authority to indemnify Collaborator. Each Party otherwise will be liable for any claims or damages it incurs in connection with this CRADA, except that ICD, as an agency of the Government, assumes liability only to the extent provided under the Federal Tort Claims Act , 28 U.S.C. Chapter 171.

12.3 ***Force Majeure***. Neither Party will be liable for any unforeseeable event beyond its reasonable control and not caused by its own fault or negligence, which causes the Party to be unable to perform its obligations under this CRADA, and which it has been unable to overcome by the exercise of due diligence. If a *force majeure* event occurs, the Party unable to perform will promptly notify the other Party. It will use its best efforts to resume performance as quickly as possible and will suspend performance only for such period of time as is necessary as a result of the *force majeure* event.

Article 13. Miscellaneous

13.1 **Governing Law**. The construction, validity, performance and effect of this CRADA will be governed by U.S. federal law, as applied by the federal courts in the District of Columbia. If any provision in this CRADA conflicts with or is inconsistent with any U.S. federal law or regulation, then the U.S. federal law or regulation will preempt that provision.

13.2 **Compliance with Law**. ICD and Collaborator agree that they will comply with, and advise any contractors, grantees, or agents they have engaged to conduct the CRADA research and development activities to comply with, all applicable Executive Orders, statutes, and HHS regulations relating to research on human subjects (45 C.F.R. Part 46, 21 C.F.R. Parts 50 and 56) and relating to the appropriate care and use of laboratory animals (7 U.S.C. §§ 2131 *et seq*.; 9 C.F.R. Part 1, Subchapter A). ICD and Collaborator will advise any contractors, grantees, or agents they have engaged to conduct clinical trials for this CRADA that they must comply with all applicable federal regulations for the protection of Human Subjects, which may include the Standards for Privacy of Individually Identifiable Health Information set forth in 45 C.F.R. Part 164. Collaborator agrees to ensure that its employees, contractors, and agents who might have access to a "select agent or toxin" (as that term is defined in 42 C.F.R. §§ 73.4-73.5) transferred from ICD is properly licensed to receive the "select agent or toxin."

13.3 **Waivers**. None of the provisions of this CRADA will be considered waived by any Party unless a waiver is given in writing to the other Party. The failure of a Party to insist upon strict performance of any of the terms and conditions hereof, or failure or delay to exercise any rights provided herein or by law, will not be deemed a waiver of any rights of any Party.

13.4 **Headings**. Titles and headings of the articles and paragraphs of this CRADA are for convenient reference only, do not form a part of this CRADA, and will in no way affect its interpretation.

13.5 **Severability**. The illegality or invalidity of any provisions of this CRADA will not impair, affect, or invalidate the other provisions of this CRADA.

13.6 **Amendments**. Minor modifications to the Research Plan may be made by the mutual written consent of the CRADA Principal Investigators. Substantial changes to the CRADA, extensions of the term, or any changes to Appendix C will become effective only upon a written amendment signed by the signatories to this CRADA or by their representatives duly authorized to execute an amendment. A

change will be considered substantial if it directly expands the range of the potential CRADA Subject Inventions, alters the scope or field of any license option governed by Article 7, or requires a significant increase in the contribution of resources by either Party.

13.7 **Assignment**. Neither this CRADA nor any rights or obligations of any Party hereunder shall be assigned or otherwise transferred by either Party without the prior written consent of the other Party. The Collaborator acknowledges the applicability of 41 U.S.C. § 15, the Anti Assignment Act, to this Agreement. The Parties agree that the identity of the Collaborator is material to the performance of this CRADA and that the duties under this CRADA are nondelegable.

13.8 **Notices**. All notices pertaining to or required by this CRADA will be in writing, signed by an authorized representative of the notifying Party, and delivered by first class, registered, or certified mail, or by an express/overnight commercial delivery service, prepaid and properly addressed to the other Party at the address designated on the Contacts Information Page, or to any other address designated in writing by the other Party. Notices will be considered timely if received on or before the established deadline date or sent on or before the deadline date as verifiable by U.S. Postal Service postmark or dated receipt from a commercial carrier. Notices regarding the exercise of license options will be made pursuant to Paragraph 7.3. Either Party may change its address by notice given to the other Party in the manner set forth above.

13.9 **Independent Contractors**. The relationship of the Parties to this CRADA is that of independent contractors and not agents of each other or joint venturers or partners. Each Party will maintain sole and exclusive control over its personnel and operations.

13.10 **Use of Name; Press Releases**. By entering into this CRADA, the Government does not directly or indirectly endorse any product or service that is or will be provided, whether directly or indirectly related to either this CRADA or to any patent or other intellectual-property license or agreement that implements this CRADA by Collaborator, its successors, assignees, or licensees. Collaborator will not in any way state or imply that the Government or any of its organizational units or employees endorses any product or services. Each Party agrees to provide proposed press releases that reference or rely upon

the work under this CRADA to the other Party for review and comment at least five (5) business days before publication. Either Party may disclose the Title and Abstract of the CRADA to the public without the approval of the other Party.

13.11 **Reasonable Consent**. Whenever a Party's consent or permission is required under this CRADA, its consent or permission will not be unreasonably withheld.

13.12 **Export Controls**. Collaborator agrees to comply with U.S. export law and regulations. If Collaborator has a need to transfer any CRADA Materials made in whole or in part by ICD, or ICD Materials, or ICD's Confidential Information to a person located in a country other than the United States, to an Affiliate organized under the laws of a country other than the United States, or to an employee of Collaborator in the United States who is not a citizen or permanent resident of the United States, Collaborator will acquire any and all necessary export licenses and other appropriate authorizations.

13.13 **Entire Agreement**. This CRADA constitutes the entire agreement between the Parties concerning the subject matter of this CRADA and supersedes any prior understanding or written or oral agreement.

13.14 **Survivability**. The provisions of Paragraphs 3.3, 3.4, 3.8, 4.2, 4.3, 5.3, 5.4, 6.1-9.2, 10.3-10.6, 11.1, 11.2, 12.1-12.3, 13.1-13.3, 13.7, 13.10 and 13.14 will survive the expiration or early termination of this CRADA.

SIGNATURES BEGIN ON THE NEXT PAGE

PUBLIC HEALTH SERVICE
COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT
FOR EXTRAMURAL-PHS CLINICAL RESEARCH

SIGNATURE PAGE

ACCEPTED AND AGREED

BY EXECUTING THIS AGREEMENT, EACH PARTY REPRESENTS THAT ALL STATEMENTS MADE HEREIN ARE TRUE, COMPLETE, AND ACCURATE TO THE BEST OF ITS KNOWLEDGE. COLLABORATOR ACKNOWLEDGES THAT IT MAY BE SUBJECT TO CRIMINAL, CIVIL, OR ADMINISTRATIVE PENALTIES FOR KNOWINGLY MAKING A FALSE, FICTITIOUS, OR FRAUDULENT STATEMENT OR CLAIM.

FOR ICD:

/s/ Douglas R. Lowy, M.D. — Dec. 10, 2010

Douglas R. Lowy, M.D.
Deputy Director, National Cancer Institute

Date

FOR COLLABORATOR:

/s/ Bryan R. Leigh, MD — 12/22/10

Bryan R. Leigh, MD
Chief Medical Officer, Tracon Pharmaceuticals, Inc.

Date

PUBLIC HEALTH SERVICE
COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT
FOR EXTRAMURAL-PHS CLINICAL RESEARCH

CONTACTS INFORMATION PAGE

CRADA Notices

For ICD:

Technology Transfer Center
6120 Executive Blvd., Suite 450
Rockville, MD 20852
Tel. 301-496-0477
Fax: 301-402-2117

For Collaborator:

Bryan Leigh, MD
Tracon Pharmaceuticals, Inc.
4510 Executive Drive, Suite 330
San Diego, CA 92121
Tel: 858-550-0780 x236
Fax: 858-550-0786

Patenting and Licensing

For ICD:

Division Director, Division of Technology Development and Transfer
NIH Office of Technology Transfer
6011 Executive Boulevard, Suite 325
Rockville, Maryland 20852-3804
Tel: 301-496-7057
Fax: 301-402-0220

For Collaborator (if separate from above):

Bryan Leigh, MD
Tracon Pharmaceuticals, Inc.
4510 Executive Drive, Suite 330
San Diego, CA 92121
Tel: 858-550-0780 x236
Fax: 858-550-0786

Delivery of Materials Identified In Appendix B (if any)

For ICD:

N/A

For Collaborator:

N/A

PUBLIC HEALTH SERVICE
COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT
FOR EXTRAMURAL-PHS CLINICAL RESEARCH

SUMMARY PAGE

EITHER PARTY MAY, WITHOUT FURTHER CONSULTTON OR PERMISSON, RELEASE THIS SUMMARY PAGE TO THE PUBLIC.

TITLE OF CRADA: **Clinical Development of Tracon Pharmaceuticals, Inc.'s TRC105, an anti-CD105 antibody, as an Anti-Cancer Agent**

PHS [ICD] Component:	National Cancer Institute
ICD CRADA Principal Investigators:	Drs. Kevin Conlon and Jeffrey Abrams
Collaborator:	Tracon Pharmaceuticals, Inc.
Collaborator CRADA Principal Investigator:	Dr. Bryan Leigh
Term of CRADA:	Five (5) years from the Effective Date

ABSTRACT OF THE RESEARCH PLAN:

Tracon Pharmaceuticals, Inc. and the Division of Cancer Treatment and Diagnosis of the National Cancer Institute have entered into a Cooperative Research and Development Agreement ("CRADA") under which they will collaborate on the non-clinical and clinical development of TRC105, an anti-CD105 monoclonal antibody, as an anti-cancer-agent.

APPENDIX A: RESEARCH PLAN

Title of CRADA
Clinical Development of Tracon Pharmaceuticals, Inc.'s TRC105, an anti-CD105 antibody, as an Anti-Cancer Agent

NCI Principal Investigators
Dr. Kevin Conlon
Dr. Jeffrey Abrams

Collaborator Principal Investigator
Dr. Bryan Leigh

Term of CRADA
Five (5) years from the Effective Date

1. RESEARCH GOAL OF CRADA

The overall goal of this research project is to collaborate with Tracon Pharmaceuticals, Inc. (hereafter "Collaborator" or "Tracon") on the non-clinical and clinical development of Collaborator's proprietary investigational agent TRC105 (Investigational Agent), to demonstrate its safety and efficacy in patients with various types of cancers. Throughout the Research Plan the terms Investigational Agent and TRC105 will be used interchangeably.

2. SCIENTIFIC BACKGROUND

Tumors rely on angiogenesis to grow and metastasize, and angiogenesis inhibitors have demonstrated clinical benefit in patients with cancer. CD105 is a member of the transforming growth factor beta (TGF-b) receptor family that is selectively expressed by proliferating endothelial cells and is essential for endothelial cell proliferation. Expression of CD105 is induced by cellular hypoxia through hypoxia-inducible factor-1-α. CD105 is highly expressed on tumor vessel endothelium of all types of solid cancer and exerts its effect by modulating the signaling of multiple TGF-b receptor signaling complexes. In the absence of CD105, TGF- b receptor activation inhibits endothelial cell proliferation and angiogenesis. However, in the presence of CD105, TGF-b receptor signaling is modified to promote endothelial cell proliferation and angiogenesis.

3. BACKGROUND AND CONTRIBUTIONS OF COLLABORATOR

Tracon Pharmaceuticals, Inc. is a biotechnology company developing targeted therapies for cancer. The company seeks to address the unmet needs of cancer patients with product candidates that focus on cellular targets specifically implicated in cancer growth and angiogenesis.

Tracon has developed TRC105, an antiangiogenic monoclonal antibody directed against human CD105, also known as endoglin. The antibody is a chimeric IgG1 kappa

immunoglobulin with murine variable regions and human constant regions. […***…].

Tracon has conducted IND-enabling preclinical studies to evaluate TRC105 with regards to mechanism of action, safety, and efficacy. *In vitro*, TRC105 inhibits endothelial cell proliferation, induces endothelial cell apoptosis, and potently engages antibody-dependent cell mediated cytotoxicity (ADCC). TRC105 was well-tolerated by nonhuman primates in a Good Laboratory Practice (GLP) toxicology study.

Tracon has filed an IND and initiated a phase 1 first-in-human multicenter open-label dose-escalation trial of TRC105 in patients with advanced solid cancers for whom curative therapy is unavailable. The primary objectives of the Tracon study are to characterize the safety profile of TRC105 as a monotherapy for solid cancers and to determine a recommended phase 2 dose. Initial results have shown that TRC105 has a good safety profile and clinical activity.

Tracon is currently collaborating with the Center for Cancer Research, NCI under the terms of an intramural CRADA (NCI CRADA #2467) that is focused on the treatment of prostate cancer with TRC105. NCI has initiated a phase 2 trial of TRC105 monotherapy in patients with castrate-resistant prostate cancer.

Additional clinical trials of TRC105 for the treatment of cancer are planned. In collaboration with the Gynecologic Oncology Group, Tracon is preparing a phase 2 study of TRC105 monotherapy in recurrent epithelial ovarian cancer. Tracon is also sponsoring a phase 1b study of TRC105 in combination with capecitabine for metastatic breast cancer at the […***…].

4. DESCRIPTION OF THE CRADA RESEARCH PLAN

The Division of Cancer Treatment and Diagnosis (DCTD), NCI and Collaborator are interested in the evaluation of Investigational Agent in a clinical development program that includes various tumor types. DCTD will sponsor phase 1 and phase 2 clinical trials with the Investigational Agent that will help determine the safety, efficacy and the potential spectrum of Investigational Agent anti-tumor activity. DCTD and Collaborator are also interested in evaluating Investigational Agent in combination with other novel investigational agents.

DCTD may also support intramural and extramural Non-Clinical Studies that focus on identifying assays for monitoring the biological activity of Investigational Agent, as well as studies for combination of Investigational Agent with other active anti-cancer agents. These Non-Clinical Studies are aimed to support the clinical trials that will be conducted under the CRADA, and might involve convening a meeting of scientific experts and ultimately sponsoring core laboratories with expertise in the performance of appropriate assays with patient material.

In addition, DCTD may also support assay development via internal mechanisms (DCTD

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Clinical Support Assays). These assay development studies (described below) will be conducted using internal NCI resources and are intended to further the clinical development of Investigational Agent and provide information regarding targets and assay development to the broader research community.

5. RESPECTIVE CONTRIBUTIONS OF THE PARTIES

A. Joint Responsibilities

1. Steering Committee and Communication Plan

A Steering Committee will be employed by the Parties to exchange information and data and to discuss and to plan the proposed and ongoing clinical research. The Steering Committee shall be composed of the CRADA Principal Investigators from both Parties. In addition, other NCI and Collaborator staff with expertise in toxicology, pharmacology, pharmaceutical development, project management and other disciplines, as pertinent to the current development stage of the Investigational Agent at the time of the meeting, will be participating members. Both Parties shall report regularly to the Steering Committee on the progress of the clinical research and development efforts covered by this CRADA, will review the current progress, and will make any required decisions. The routes of communication, format of written minutes, etc. will be determined at the Steering Committee meetings and will be driven by the needs of the project.

The Steering Committee will function under the oversight of Co-Chairs, one from NCI and one from the Collaborator. NCI's Steering Committee Co-Chair will be appointed by the DCTD Division Director and report to the DCTD Division Director or his or her designee. Steering Committee meeting minutes summarizing all key decisions and issues under discussion will be provided to

all the Steering Committee members and to the DCTD Division Director within ten (10) days of each meeting. Steering Committee decisions will be made by consensus.

In addition to the Steering Committee, a Project Team comprised of NCI and Collaborator scientific members will be assembled for the purpose of discussing the DCTD Clinical Support Assays. This Project Team will be a collaborative body to approve projects described in Section 5C1 of this Appendix A which outlines the DCTD Clinical Support Assays. This Project Team will be a collaborative body charged with the planning and successful execution of experimental objectives. It is intended that study areas approved by the Project Team will be broad enough in scope to allow all necessary experiments to realize the goal of said research without further approval from the Project Team. Submission of new projects/areas of inquiry will be addressed by the Project Teams within seven (7) days of receipt. Disagreements between DCTD and Collaborator will be discussed by the Steering Committee and/or Project Team who may recommend a course of action. In the event that Project Team is unable to reach consensus, it will be the Division Director's responsibility to resolve any

impasse. The Division Director will confer with representatives of the Collaborator before making any decision. Project Teams will meet quarterly, or more often if necessitated by results or submission of a new project/area of inquiry.

2. The DCTD and Collaborator will explore the clinical utility of Investigational Agent for various cancers. As sensitive tumor types are identified, it will be important to develop combinations of Investigational Agent and other active anti-cancer agents and to compare Investigational Agent and Investigational Agent combinations with standard therapy for these tumor types. Adjuvant studies may be important in diseases where Investigational Agent has activity and where there is a high risk of recurrence following initial primary therapy.

3. Both Parties shall collaborate in the collection and analysis of data generated under the Research Plan.

4. Both Parties will work closely together to ensure that the clinical studies move forward expeditiously.

B. Collaborator Responsibilities

[…***…]

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[…***…]

C. DCTD Responsibilities

1. […***…]

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[…***…]

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[…***…]

5. Investigational Drug Steering Committee (IDSC)

The NCI Clinical Trials Working Group has mandated the formation of the Investigational Drug Steering Committee (IDSC). The IDSC is designed to provide DCTD with broad external scientific and clinical input for the design and prioritization of phase 1 and phase 2 trials with agents for which CTEP sponsors an IND. Membership of the IDSC includes the principal investigators of phase 1 U01 grants and phase 2 N01 contracts, representatives from the NCI Cooperative Groups, NCI staff members, and additional representatives with expertise in biostatistics, correlative science technologies, radiation oncology, etc., as well as patient advocates and community oncologists, as needed. Experts with specific expertise will be included as ad hoc members for consideration of specific agents. Periodically, the IDSC will assess, from a strategic perspective, CTEP investigational agent development plans, agent portfolios, and LOIs submitted by investigators to determine whether the clinical development plan for an agent should be modified. When requested by CTEP, the IDSC will provide input on LOIs to assist in CTEP decision-making. All participating members will be vetted for conflict of interest and are under confidentiality agreements with DCTD.

The IDS C is described in greater detail on p. 23 of the report of the Cancer Trials Working Group of National Cancer Advisory Board (http://integratedtrials.nci.nih.gov/ict/CTWG_report_June2005.pdf)

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6. The DCTD will evaluate each of the active studies as they progress to ensure that the appropriate questions are being addressed and to ensure that the studies are modified as required based on the developing data. The DCTD will utilize its existing procedures and mechanisms to follow the clinical studies to ensure that all studies meet the pertinent FDA regulations.

6. RELATED INTELLECTUAL PROPERTY AND OTHER RELATED AGREEMENTS OF THE PARTIES

NCI Patents and Patents Applications:

None

Tracon Patent Property Covering TRC105:
Tracon Pharmaceuticals has licensed the following patent applications from Health Research. Health Research is not a Party to this CRADA. […***…]

Issued Patents

[…***…]

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[…***…]

Patents Pending

[…***…]

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Related Agreements between Parties:

A Confidential Disclosure Agreement, identified by NCI as CDA #7779, was executed on May 27, 2009 ("CDA") to permit the exchange of information on two Tracon agents. Upon execution of this CRADA, the CDA as it pertains to TRC105 is hereby superseded and succeeded by the terms of this CRADA as of the date of execution of this CRADA.

At the time of execution of this CRADA, there are no Material Transfer Agreements, Clinical Trial Agreements, or other Cooperative Research and Development Agreements or Materials Cooperative Research and Development Agreements related to this CRADA between the Parties.

APPENDIX B

Financial and Staffing Contributions of the Parties

For NIH:

The NCI will conduct clinical and Non-Clinical Studies of Investigational Agent under its intramural and extramural research program, and DCTD Clinical Support Assays, as described in Appendix A. The NCI estimates that one to three person-years per year of effort will be dedicated to its participation in the Non-Clinical Studies, DCTD Clinical Support Assays; clinical studies, Steering Committee meetings, updates to its IND, compiling data, and drug management and monitoring in support of the clinical trials. PHS shall, in addition to its Principal Investigators provide sufficient staffing to execute and fulfill the obligations of the CRADA.

NCI will provide no funding to Collaborator for collaborative research and development pursuant to this CRADA, inasmuch as financial contributions by the U.S. government to non-Federal parties under a CRADA is prohibited under the Federal Technology Transfer Act of 1986 (15 U.S.C. 3710a(d)(1)).

For Collaborator:

Personnel:

Collaborator intends to commit one to three person-years per year of effort to permit the timely execution of the studies implemented under this CRADA. More specifically, this staffing shall include Collaborator full-time employees, consultants to the company, external contract agencies and contract research organizations. If Collaborator elects to perform any portion of the Research Plan through a contractor or consultant, Collaborator agrees to incorporate into such contract all provisions necessary to ensure that the work of such contractors or consultants is governed by the terms of the CRADA, including, but not limited to, the provision for the assignment of inventions of the contractor or consultant to Collaborator.

Investigational Agent:

Collaborator will provide to NCI, free of charge, bulk and formulated Investigational Agent in sufficient quantities to complete the studies, including Non-Clinical Studies, DCTD Clinical Support Assays and clinical studies, agreed pursuant to this CRADA. Additionally, Collaborator will provide bulk and formulated Investigational Agent in sufficient quantities to complete any other studies sponsored by the NCI under this CRADA that are mutually agreeable to NCI and Collaborator. Furthermore, Collaborator will provide Certificates of Analysis to NCI for each lot of finished product provided which verify the suitability of Investigational Agent for use in the scheduled DCTD Clinical Support Assays, Non-Clinical Studies or clinical trial Protocols.

Clinical Data Collection Support Funding Directly to Contractors:

CTEP/DCTD utilizes the contract services of two companies for assistance in the monitoring of DCTD-sponsored clinical trials. Collaborator will be responsible for making arrangements directly with the appropriate DCTD contractors to receive reports from DCTD-sponsored trials. This will include quarterly reports, adverse event reports and summary reports. The contractor for the phase 2 and 3 studies will provide these reports electronically in a format compatible with Collaborator's database. The NCI phase 1 contractor will also provide reports directly to Collaborator. Contact information for each of the DCTD contractors will be provided as needed. Collaborator will make payment arrangements as necessary directly with such contractor(s).

Collaborator may make only reasonable requests for access to CRADA Data and Raw Data or any other information that is in the possession of NCI Extramural Investigators. The information will be provided according to a mutually agreed upon plan between the NCI, the Collaborator, and the NCI Extramural Investigator(s), and only in accordance with the guidelines and policies of the responsible Data Monitoring Committee. Collaborator will be responsible for the costs associated with any unusually burdensome requests, such as a request that the data be provided in a format which is different than that normally collected. Should Collaborator choose to review copies of patient research records, such a review will be at Collaborator's expense and occur after notification and agreement of the NCI Extramural Investigators and only after all patient identifiers have been removed.

Funding to NCI:

(1) CTEP/DCTD utilizes contract services for assistance in carrying out its responsibilities as a sponsor of clinical trials. Collaborator agrees to provide $20,000.00 per year per phase 1 or phase 2 clinical trial during the term of the CRADA to supplement the CTEP/DCTD support contract costs and other reasonable and necessary expenses incurred by NCI in carrying out its responsibilities under this CRADA. CTEP/DCTD plans to activate […***…] phase 1 and/or 2 clinical trials per year during the five (5) year term of this CRADA using Investigational Agent. Collaborator's funding to support the clinical trials will be up to a maximum of $500,000 per year for the term of the CRADA. Funding for studies in excess of the […***…] clinical trials planned hereunder, and that could be active at the same time, will be by Amendment to the CRADA. Further, funding for randomized phase 2 and phase 3 clinical trials may be negotiated by the Parties and added by Amendment to this CRADA.

(2) Collaborator, at its discretion, may also provide up to $[…***…] per year during the term of the CRADA to support analytical assays, those focusing on identifying new assays for monitoring the biological activity of Investigational Agent, and correlative studies associated with clinical Protocols which are approved by both Parties and made a part of the Research Plan. Such funds provided by Collaborator may be used for, but are not limited to, costs of tissue biopsies, including sample acquisition, storage and shipping costs.

(3) Collaborator agrees to provide up to $5,000.00 per year for transportation and associated costs to support the participation of DCTD staff at selected scientific or development meetings, where such participation will substantially foster development of

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Investigational Agent. Collaborator and DCTD must mutually agree to the activities that are appropriate under this Agreement. Travel costs are limited by the Federal Travel Rules and Regulations for all government staff whether paid for by government funds or CRADA funds. Collaborator may provide direct support, under the 348 travel mechanism, for the travel and lodging costs for attendance of NCI staff at selected scientific or development meetings. Both Collaborator and NCI must agree that the activities would be appropriate under this Agreement, and acceptance of Collaborator's support of NCI's participation in the activities will be contingent upon appropriate NCI approval. Travel costs for such travel are also limited by the Federal Travel Rules and Regulations for all government staff whether paid for by government funds or Collaborators.

(4) Collaborator also agrees to provide a one-time payment of $20,000.00 during the term of the CRADA to support regulatory filings by CTEP.

Collaborator's payment schedule will be as follows:

At the end of each calendar year during the term of this CRADA, Collaborator will receive an invoice from NCI for funding to support activities (1) through (3) above. Collaborator will make a payment in January of the following year. The payment will be prorated for all studies activated or completed in the previous calendar year. The one-time payment for $20,000 to support (4) above will be included in the invoice at the end of the year the CTEP IND is filed.

Any additional funding will not be added to this CRADA without an appropriate written executed Amendment pursuant to Article 13.6.

No funds provided under this CRADA by Collaborator will be used by NCI to pay the salary of full-time tenured federal employees.

Payment Information:

Checks for monies payable directly to the NCI should be made payable to the National Cancer Institute and addressed to:

Regulatory Affairs Branch
Attn: Dr. Sherry Ansher
National Cancer Institute
6130 Executive Blvd., Suite 7111
Rockville, MD 20852

All checks should be marked with a clear reference to the NCI CRADA Number, NCI CRADA #02663, and Title: "Clinical Development of TRACON Pharmaceuticals, Inc.'s TRC105, an anti-CD105 antibody, as an Anti-Cancer Agent." Should NCI require electronic deposit of any monies payable under this CRADA, NCI agrees to provide Collaborator with the appropriate account information.

Materials/Equipment Contributions:

NCI will not provide ICD Materials for use under this CRADA and Collaborator will not provide Collaborator Materials for use under this CRADA. If NCI decides to provide ICD Materials for use under this CRADA, or if Collaborator decides to provide Collaborator Materials for use under this CRADA, those materials will be transferred under a cover letter that identifies them and states that they are being provided under the terms of the CRADA. Collaborator will not provide capital equipment for use under this CRADA.

APPENDIX C

Exceptions or Modifications to this CRADA

Additions and deletions within Articles of the Extramural Clinical Trial CRADA appear as underline and strikeout, respectively.

Article 1 is modified to read as follows:

Article 1. Introduction

This CRADA between ICD and Collaborator will be effective when signed by the Parties, which are identified on both the Cover Page and the Signature Page (page 22). The official contacts for the Parties are identified on the Contacts Information Page (page 23). Publicly available information regarding this CRADA appears on the Summary Page (page 24). The research and development activities that will be undertaken by ICD, ICD's contractors or grantees, and Collaborator in the course of this CRADA are detailed in the Research Plan, attached as Appendix A. The staffing, funding, and materials contributions of the Parties are set forth in Appendix B. Any changes to the model CRADA are set forth in Appendix C. An example of typical terms for a Material Transfer Agreement ("MTA") for the transfer of Investigational Agent from NCI to NCI Extramural Investigators is attached as Appendix D. For this Agreement, ICD means NCI. Since CTEP and DCTD within the NCI are responsible for the Research Plan, ICD, NCI, DCTD and CTEP ma be used interchangeably in this Agreement when a specific program is responsible for an activity.

The following **Article 2 Definitions** are modified to read as follows:

~~"**Clinical Data in ICD's Possession and Control**" means all Raw Data that ICD employees create directly; and all copies of Raw Data and Summary Data that ICD obtains from Clinical Investigators or contractors performing CRADA activities.~~

"**CRADA Materials**" means all tangible materials first produced in the performance of the Research Plan other than CRADA Data, Collaborator Materials, ICD Materials, or Test Article. CRADA Materials do not include specimens collected from Human Subjects.

"**Raw Data**" means the primary quantitative and empirical data first collected from experiments and clinical trials conducted within the scope of this CRADA. Raw Data includes case report forms and/or source documents.

"**Test Article**" means, in accordance with 21 C.F.R. § 50.3(j), any drug (including a biological product), medical device, food additive, color additive, electronic product, or any other article subject to regulation under the Federal Food, Drug, and Cosmetic Act that is intended for administration to humans or animals, including a drug or biologic as identified in the Research Plan and Appendix B, that is used within the scope of the Research Plan. The Test Article may

also be referred to as Investigational Agent, Study Material, or Study Product. For this Agreement, Investigational Agent means TRC105.

Add the new **Definitions** to **Article 2 as follows**:

"**Biomarker**" means a biological marker that can be used to guide therapeutic administration of a drug, including, but not limited to: (i) predict whether or not a patient is likely to be sensitive or resistant to treatment with a certain therapeutic agent; or (ii) to guide any aspect of clinical practice (e.g. dosing, safety, efficacy and response).

"**Contract**" means a Funding Agreement that is a research and development mechanism that provides that the contractor perform for the benefit of the Government, with an expectation of completion of the stated research goals and the delivery of a report, data, materials or other product. Generally, Contracts are administered under the Federal Acquisition Regulations (FAR) codified at Title 48 C.F.R., Chapter 1 or the Health Services Acquisition Regulations (HSAR) codified at Title 48 C.F.R., Chapter 3.

"**Cooperative Agreement**" means a Funding Agreement that is a species of a Grant, whereby the funding Federal agency intends to be substantially involved in carrying out the research program.

"**CTA**" means Clinical Trial Agreement.

"**CTEP**" means the Cancer Therapy Evaluation Program, DCTD, NCI, a program within NCI which plans, assesses and coordinates all aspects of clinical trials including extramural clinical research programs, internal resources, treatment methods and effectiveness, and compilation and exchange of data.

"**DTP**" means Developmental Therapeutics Program, DCTD, NCI, the program within the NCI which coordinates pre-clinical development of agents to be evaluated in DCTD-sponsored clinical trials.

"**DCTD**" means Division of Cancer Treatment and Diagnosis, NCI.

"**DCTD Clinical Support Assays**" means assays aimed at enhancing the understanding of the mechanism of action of Investigational Agent and its targets and optimizing DCTD's clinical development program. DCTD's work may include such activities as the development of assays to detect target modulation, Biomarker studies, and pharmacodynamic analyses performed in conjunction with the NCI-sponsored clinical studies. These studies will be performed by DCTD employees and contractors who are obligated to assign any and all intellectual property to the Public Health Service (PHS). Although DCTD Clinical Support Assays are non-clinical in nature, for the purpose of this CRADA, they are treated separately from Non-Clinical Studies (defined below) as the approval process and oversight for DCTD Clinical Support Assays and Non-Clinical Studies are different.

"**Funding Agreement**" means a Contract, Grant, or Cooperative Agreement entered into between a Federal agency and another party for the performance of experimental, developmental or research work funded in whole, or in part, by the Federal Government.

"**Grant**" means a Funding Agreement that is an award of financial assistance which may be provided for support of basic research in a specific field of interest to the funding Federal agency.

"**Multi-Party Data**" means data from studies sponsored by NCI pursuant to CTAs or CRADAs, where such data are collected under Protocols and Non-Clinical Studies involving combinations of investigational agents supplied from more than one CTA or CRADA collaborator.

"**NCI**" means the National Cancer Institute, National Institutes of Health, Department of Health and Human Services.

"**NCI Intramural Investigator**" means an investigator who is an NCI employee.

"**NCI Extramural Investigator**" means an investigator who is not an NCI employee and who is supported by NCI Funding Agreements.

"**Non-Clinical Investigator**" means any individual who conducts, directs, or assumes responsibility for Non-Clinical Studies Non-Clinical Investigators will include NCI Intramural and NCI Extramural investigators.

"**NCI Investigator**" includes any of NCI Intramural Investigator, NCI Extramural Investigator, Non-Clinical Investigator or an investigator who conducts the DCTD Clinical Support Assays.

"**Non-Clinical Studies**" means exploratory *in vitro*, *in vivo*, and *ex vivo* studies using defined biological models including cell lines, xenograft models, circulating tumor cells, normal tissue, blood and any of its components and shall include ancillary correlative studies, proof-of-mechanism and proof-of-principle assays, development of imaging techniques, and evaluation of target linkage. Non-Clinical Studies may include studies using human materials derived from clinical trials (such as primary, metastatic, or circulating tumor cells, normal tissue, blood and any of its components). This defined term shall be limited to studies under this CRADA. Non-Clinical Studies can be performed by Clinical Investigators or Non-Clinical Investigators. Non-Clinical Studies under this CRADA shall not include DCTD Clinical Support Assays.

"**Protocol Review Committee**" (**or** "**PRC**") means the CTEP/DCTD committee that reviews and approves studies involving NCI investigational agents and/or activities supported by NCI.

Article 3.7 is modified to read as follows:

3.7 **Investigational New Drug Applications**.

3.7.1 ~~If an IND is required either ICD or Collaborator,~~ DCTD, NCI, as indicated in the Research Plan, will prepare and submit an IND(s) and all Clinical Investigators participating in DCTD-sponsored clinical trials must have completed registration documents on file (1572 forms) with CTEP.

3.7.2 ~~If ICD elects to file its own IND,~~ To support the DCTD IND(s), Collaborator agrees to provide ~~ICD~~ DCTD background data and information necessary to support the IND(s). Collaborator further agrees to provide a letter of cross-reference to all pertinent regulatory filings including an IND and/or DMF sponsored by Collaborator. Collaborator's employees will be reasonably available to respond to inquiries from the FDA regarding information and data contained in the Collaborator's IND, DMF, other filings, or other information and data provided to ~~ICD~~ DCTD by the Collaborator pursuant to this Article 3. If ~~ICD~~ DCTD has provided information or data to assist Collaborator in its IND filing, ~~ICD~~ DCTD will provide a letter of cross reference to its IND and respond to inquiries related to information provided by ~~ICD~~DCTD, as applicable.

3.7.3 If Collaborator supplies Confidential Information to ~~ICD~~ DCTD in support of an IND filed by ~~ICD~~DCTD, this information will be protected in accordance with the corresponding confidentiality provisions of Article 8.

3.7.4 Collaborator may sponsor its own clinical trials and hold its own IND for studies performed outside the scope of this CRADA. These studies, however, should not adversely affect the ability to accomplish the goal of the Research Plan, for example, by competing for the same study population. All data from those clinical trials are proprietary to Collaborator for purposes of this CRADA. Collaborator will permit DCTD to review and use such data for regulatory purposes for DCTD-sponsored clinical trials which are performed under this CRADA.

3.7.5 In the event that Canadian institutions are participating on DCTD-sponsored clinical trials, Collaborator will need to assist in the submission of the regulatory documents to the Canadian Health Products and Food Branch to allow for such participation. This may include a letter of cross-reference to an existing Clinical Trials Application or a DMF, including supporting documentation on the production of the Investigational Agent. The forms and procedures for preparing Canadian Clinical Trials Application are available at http://www.hc-sc.gc.ca/dhp-

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mps/prodpharma/applic-demande/form/index-eng.php

3.7.6 In the event that other international Clinical Research Sites are participating on the NCI-sponsored protocols, Collaborator will assist the international participant in the submission of necessary regulatory documents to allow for such participation. The international participant will work directly with the Collaborator to obtain the necessary regulatory documents.

Article 3.8 is modified to read as follows:

3.8 ~~**Test Article**~~ **Investigational Agent Information and Supply.**

3.8.1 Collaborator agrees to provide ~~ICD~~ DCTD without charge and on a schedule that will ensure adequate and timely performance of the research, a sufficient quantity of formulated and acceptably labeled, clinical-grade ~~Test Article~~ Investigational Agent (and, as required by the Protocol(s), Placebo) to complete the clinical trial(s) agreed to and approved under this CRADA. Investigational Agent should be suitable for shipment to all countries and sites participating in DCTD-sponsored clinical trials. DCTD does not maintain country-specific Investigational Agent supplies. Collaborator will provide a Certificate of Analysis to ~~ICD~~ DCTD for each lot of the ~~Test Article~~ Investigational Agent provided. It is understood that DCTD shall take responsibility for and reasonable steps to maintain appropriate records and assure appropriate supply, handling, storage, distribution and usage of these materials in accordance with the terms of this Agreement, the Protocol(s) and any applicable laws and regulations relating thereto.

3.8.2 Collaborator agrees to supply sufficient inventory to ensure adequate and timely supply of Investigational Agent for mutually agreed upon Protocol(s). DCTD will provide updated forecasts of amounts of Investigational Agent anticipated for ongoing and anticipated studies. Collaborator further agrees to provide draft Investigational Agent labels to the NCI Pharmaceutical Management Branch (PMB) for review and agrees to reasonable labeling revisions to comply with DCTD label guidelines. NCI NSC (National Service Center) numbers will be required to be on the label of Investigational Agent for all DCTD-sponsored clinical trials.

3.8.3 Furthermore, Collaborator agrees to provide without charge Investigational Agent or unformulated analytical grade Investigational Agent or metabolites, if available, to DCTD to supply to NCI Investigators

for the development of mutually agreed upon Non-Clinical Studies such as analytical assays and ancillary correlative studies conducted in conjunction with DCTD-sponsored Protocols. These studies will be approved by the PRC and conducted according to mutually approved clinical Protocols.

3.8.4 Collaborator agrees to allow Investigational Agent to be distributed to NCI Investigators for mutually agreeable Non-Clinical Studies designed to enhance the basic understanding and development of Investigational Agent. These will include […***…] and other pertinent requests. Each study will be proposed by the NCI Investigator and will be approved by both the NCI and Collaborator. All NCI Extramural Investigators will sign Material Transfer Agreements (MTAs) substantially in the form attached hereto as Appendix D that acknowledge the proprietary nature of the Investigational Agent to Collaborator and include intellectual property and publication provisions.

3.8.5 Collaborator agrees to provide Investigational Agent to DCTD for DCTD to conduct DCTD Clinical Support Assays aimed at enhancing the understanding of the mechanism of action of Investigational Agent and its targets and optimizing its clinical development program.

3.8.6 Collaborator agrees to provide to the PMB the Investigator's Brochure (IB) for Investigational Agent and all subsequent revisions/editions. In addition to being filed to the CTEP IND, the IB will be on file in the PMB and will be distributed to all investigators participating on a clinical trial using the Investigational Agent. Distribution will be accompanied by a statement about the confidentiality of the document and it is anticipated that distribution will be electronic. All electronic distribution will be done using Adobe Acrobat PDF. Any IB received by the PMB that is not in this format will be converted before distribution. Hard copy IBs should be sent to IB Coordinator, Pharmaceutical Management Branch, CTEP, DCTD, NCI, 6130 Executive Blvd, Room 7149, Rockville, MD 20852. Electronic versions should be mailed to the IB Coordinator at IBCoordinator@mail.nih.gov.

Article 3.9 is modified to read as follows:

3.9 ~~**Test Article**~~ **Investigational Agent Delivery and Usage**. Collaborator will ship the ~~Test Article~~ Investigational Agent and, if required, Placebo to ~~ICD~~ NCI or its designee in containers marked in accordance with 21 C.F.R. § 312.6. ~~ICD~~ NCI agrees that the Clinical Investigators will keep appropriate records and take reasonable steps to ensure

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that the ~~Test Article~~ Investigational Agent is used in accordance with the Protocol(s) and applicable FDA regulations. In addition, ~~ICD~~ NCI agrees that the ~~Test Article~~ Investigational Agent (and all Confidential Information supplied, by Collaborator relating to the ~~Test Article~~ Investigational Agent) will be used solely for the conduct of the CRADA research and development activities. Furthermore, ~~ICD~~ NCI agrees that no analysis or modification of the ~~Test Article~~ Investigational Agent will be performed without Collaborator's prior written consent. At the completion of the Research Plan, any unused quantity of ~~Test Article~~ Investigational Agent will be returned to Collaborator or disposed as directed by Collaborator. ~~Pharmacy contacts at ICD or its designee will be determined by ICD and communicated to Collaborator.~~ The contact person for NCI will be Mr. Charles Hall, Chief, Pharmaceutical Management Branch (Telephone Number 301-496-5725) and the Collaborator contact will be Ms. Bonne Adams, Vice President, Clinical Operations (Telephone Number 858-550-0780 x228).

Article 3.10 is modified to read as follows:

3.10 **Auditing and Monitoring**.

3.10.1 ~~The Sponsor or its designee~~ DCTD, NCI will be primarily responsible for monitoring ~~clinical site~~ Clinical Research Sites and for assuring the quality of all clinical data, unless otherwise stated in the Research Plan. ~~Monitoring~~ Auditing will comply with the DCTD guidelines as described on the CTEP website at: http://ctep.info.nih.gov/branches/ctmb/clinicalTrials/monitoring_coop_coop_ctsu. htm. ~~FDA Good Clinical Practice (International Conference on Harmonisation (ICH) E6: "Good Clinical Practice: Consolidated Guidance; 62 Federal Register 25, 691 (1997)). The other Party may also perform quality assurance oversight. The monitor will communicate significant Protocol violations and submit documentation of monitoring outcomes on Protocol insufficiencies to the other Party in a timely manner.~~ NCI clinical trials must be conducted in accordance with the FDA Good Clinical Practices (GCP).

3.10.2 Subject to the restrictions in Article 8 concerning IPI, and with reasonable advance notice and at reasonable times, ICD will ~~permit~~ seek permission for Collaborator or its designee(s) to access Clinical Research Sites ~~to~~clinical site(s) to ~~monitor~~ audit the conduct of the research at times convenient to Clinical Research Sites, and to obtain updates on ongoing clinical trials. Collaborator

may also make arrangements with ICD ~~as well as~~ to audit ~~source documents containing~~ Raw Data, at the completion of a Protocol and at Collaborator's expense, to the extent necessary to verify compliance with FDA Good Clinical Practice and the Protocol(s).

Article 3.11 is modified to read as follows:

3.11 **FDA Meetings/Communications**. All formal meetings with the FDA concerning any

clinical trial within the scope of the Research Plan will be discussed by Collaborator and ICD in advance. Each Party reserves the right to take part in setting the agenda for, to attend, and to participate in these meetings. The Sponsor will provide the other Party with copies of FDA meeting minutes, all transmittal letters for IND submissions, IND safety reports, formal questions and responses that have been submitted to the FDA, Annual Reports, and official FDA correspondence, pertaining either to the INDs under this CRADA or to the Clinical Investigators on Protocols performed in accordance with the Research Plan, except to the extent that those documents contain the proprietary information of a third party or dissemination is prohibited by law.

Add a new **Article 3.12** as follows:

3.12 **Steering Committee and CRADA Research**. The Parties agree to establish a Steering Committee comprising at least the CRADA Principal Investigators to conduct and monitor the proposed and ongoing clinical studies and non-clinical research of the Investigational Agent in accordance with the CRADA Research Plan. Members of the Steering Committee shall continue to remain employed by their respective employers under their respective terms of employment.

In addition to the Steering Committee, a Project Team comprised of NCI and Collaborator scientific members will be assembled for the purpose of discussing the DCTD Clinical Support Assays. This Project Team will be a collaborative body to approve projects described under "Respective Contributions of the Parties" of Appendix A of this CRADA which outlines the DCTD Clinical Support Assays. Manuscripts and presentations related to these studies will be handled in accordance with Article 8.7 of this CRADA.

Additional CRADA information, including Steering Committee meeting reports, Protocol Review Committee records, clinical Protocols, IND and general regulatory information, and non-clinical and clinical data in NCI's possession and control shall remain on file with NCI.

Article 4.2 is modified to read as follows:

4.2 **Final Research and Development Reports**. The Parties will exchange final reports of their results within six (6) months after the expiration or termination of this CRADA. These reports will set forth the technical progress made; any publications arising from the research; and the existence of invention disclosures of potential CRADA Subject Inventions and/or any corresponding Patent Applications. Abstracts and publications provided to CTEP by investigators and further provided by CTEP to Collaborator will fulfill this final report obligation. With respect to clinical studies, a copy of the IND Annual Report will also fulfill this reporting obligation.

Article 4.4 is modified to read as follows:

4.4 **Safety Reports**. ~~In accordance with FDA requirements, the Sponsor will establish and maintain records and submit safety reports to the FDA, as required by 21 C.F.R. § 312.32 and 21 C.F.R. 812.150(b)(1), or other applicable regulations. In the conduct of research under this CRADA, the Parties will comply with specific ICD guidelines and policies for reporting ADEs and AEs, as well as procedures specified in the Protocol(s). The Sponsor must provide the other Party with copies of all Safety Reports concurrently with their submission to the FDA, and with any other information affecting the safety of Human Subjects in research conducted under this CRADA.~~ DCTD shall report all serious and unexpected possible, probable and definite Adverse Events to FDA in accordance with the reporting obligations of 21 CFR 312.32 and will, within 24 to 48 hours of notification to FDA, forward all such reports to Collaborator. All other Adverse Event reports received by DCTD shall be reported to the FDA consistent with 21 CFR 312.32 and 312.33. In the event that Collaborator informs the FDA of any serious and/or unexpected Adverse Events, Collaborator must notify the NCI at the same time by sending the reports to CTEPSupportAE@tech-res.com. NCI will then notify the Clinical Investigator(s) conducting studies under DCTD-sponsored Protocols, if appropriate.

Article 4.5 is modified to read as follows:

4.5 **Annual Reports**. ~~The Sponsor~~ DCTD will provide ~~the other Party~~ Collaborator a copy of the Annual Report concurrently with the submission of the Annual Report to the FDA. Annual Reports will be kept confidential in accordance with Article 8. Collaborator will provide DCTD with a copy of its Annual Report to the FDA if Collaborator is sponsoring studies of Investigational Agent under its own IND.

Article 6.1 is modified to read as follows:

6.1 **Ownership of CRADA Subject Inventions, CRADA Data, and CRADA Materials**. Subject to the Government license described in Paragraph 7.5, the sharing requirements of Paragraph 8.1 and the regulatory filing requirements of Paragraph 8.2, the producing Party will retain sole ownership of and title to all CRADA Subject Inventions, all copies of CRADA Data, and all CRADA Materials produced solely by its employee(s). The Parties will own jointly all CRADA Subject Inventions invented jointly and all CRADA Materials developed jointly. A PHS contractor's or grantee's rights in data it generates will not be affected by this CRADA. The Parties acknowledge that certain ICD contractors, including those who may perform DCTD Clinical Support Assays, are obligated to assign any and all intellectual property to NIH.

Article 7.2 is modified to read as follows:

7.2 **Collaborator's License Option to CRADA Subject Inventions**. With respect to Government rights to any CRADA Subject Invention made solely by an ICD employee(s)

or made jointly by an ICD employee(s) and a Collaborator employee(s) for which a Patent Application was filed, PHS hereby grants to Collaborator (i) an irrevocable, perpetual, paid-up, nonexclusive, nontransferable, royalty free, world-wide license under PHS' interest in such CRADA Subject Invention, for internal research and development purposes (including clinical trials) only related to the Investigational Agent; and (ii) an exclusive option to elect an exclusive, or co-exclusive, if applicable, or nonexclusive commercialization license. The option to elect a co-exclusive license shall apply when a CRADA Subject Invention is also a CRADA Subject Invention under another CRADA resulting from mutually agreed upon studies as described in Article 8.9 and the field of use of this co-exclusive license shall be to the use of the combination of the Investigational Agent with another agent(s) commensurate with the scope of the Research Plan. The license will be substantially in the form of the appropriate model PHS license agreement and will fairly reflect the nature of the CRADA Subject Invention, the relative contributions of the Parties to the CRADA Subject Invention and the CRADA, a plan for the development and marketing of the CRADA Subject Invention, the risks incurred by Collaborator, and the costs of subsequent research and development needed to bring the CRADA Subject Invention to the marketplace. The field of use of the license will not exceed the scope of the Research Plan.

Article 7.6 is modified to read as follows:

7.6 **Third Party License**. Pursuant to 15 U.S.C. § 3710a(b)(1)(B), if PHS grants Collaborator an exclusive, or co-exclusive, license to a CRADA Subject Invention made solely by an ICD employee or jointly with a Collaborator employee, the Government will retain the right to require Collaborator to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive sublicense to use the CRADA Subject Invention in Collaborator's licensed field of use on terms that are reasonable under the circumstances; or, if Collaborator fails to grant a license, to grant a license itself. The exercise of these rights by the Government will only be in exceptional circumstances and only if the Government determines (i) the action is necessary to meet health or safety needs that are not reasonably satisfied by Collaborator, (ii) the action is necessary to meet requirements for public use specified by federal regulations, and such requirements are not reasonably satisfied by Collaborator; or (iii) Collaborator has failed to comply with an agreement containing provisions described in 15 U.S.C. § 3710a(c)(4)(B). The determination made by the Government under this Paragraph is subject to administrative appeal and judicial review under 35 U.S.C. § 203(2).

Paragraph 1 of Article 8.2 is modified to read as follows: .

8.2 **Use of CRADA Data and CRADA Materials**. The Parties will be free to utilize CRADA Data and CRADA Materials internally for their own purposes, consistent with their obligations under this CRADA. ICD may share CRADA Data or CRADA Materials with any contractors, grantees, or agents it has engaged to conduct the CRADA research and development activities, provided the obligations of this Article 8.2 are

simultaneously conveyed. Collaborator may share CRADA Data or CRADA Materials with any contractors, Affiliates, development partners or agents it has engaged to conduct the CRADA research and development activities, provided the obligations of this Article 8.2

are simultaneously conveyed. Collaborator shall not transfer CRADA Data to any third party other than those set forth in this section without the written permission of the NCI. Following NCI's permission, Collaborator and such third party shall enter into a Confidential Disclosure Agreement with confidentiality terms at least as stringent as those set forth herein. Collaborator can then transfer the CRADA Data to such third party.

Article 8.6 is modified to read as follows:

8.6 **Duration of Confidentiality Obligation**. The obligation to maintain the confidentiality of Confidential Information will expire at the earlier of the date when the information is no longer Confidential Information as defined in Article 2 or […***…] years after the expiration or termination date of this CRADA, except for IPI, for which the obligation to maintain confidentiality will extend indefinitely. Collaborator may request an extension to this term when necessary to protect Confidential Information relating to products not yet commercialized.

Article 8.7 is modified to read as follows:

8.7 **Publication**. The Parties are encouraged to make publicly available the results of their research and development activities. However, Collaborator will not publish or publically disclose any CRADA Data provided by NCI under the CRADA without NCI's permission. Before ~~either Party~~ Collaborator or NCI submits a paper or abstract for publication ~~or otherwise intends to publicly disclose information~~ about a CRADA Subject Invention, CRADA Data, or CRADA Materials, the other Party will have thirty (30) days to review proposed manuscripts and three (3) days to review proposed abstracts to assure that Confidential Information is protected. Either Party may request in writing that ~~the~~ a proposed publication ~~or other disclosure~~ be delayed for up to thirty (30) additional days as necessary to file a Patent Application. Manuscripts to be submitted for publication by NCI investigators will be sent to NCI's Regulatory Affairs Branch [NCICTEPpubs@mail.nih.gov] for forwarding to Collaborator for review as soon as they are received and in compliance with the timelines outlined above. Abstracts to be presented by NCI Investigators will be sent to NCI's Regulatory Affairs Branch [NCICTEPpubs@mail.nih.gov] for forwarding to Collaborator as soon as they are received, preferably no less than three (3) days prior to submission, but prior to presentation or publication, to allow for preservation of U.S. or foreign patent rights.

Article 8.8 is modified to read as follows:

8.8 **Clinical Investigators' and Non-Clinical Investigators' Research and Development Activities**. In pursuing the development of Investigational Agent pursuant to this

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CRADA, NCI may utilize contractors and extramural investigators that are not NCI employees for part or all of the completion of this Research Plan, which may cover Non-Clinical Studies and clinical studies, through Funding Agreements and other agreements. Participation in DCTD-sponsored clinical trials by these investigators shall be determined after competitive solicitation and review of Protocol Letters of Intent (LOIs) and study protocols by CTEP, NCI. All Funding Agreements and other agreements for the conduct of extramural Non-Clinical Studies and clinical trials will include the Intellectual Property Option to Collaborator Terms of Award Addition (including any updates), offering Collaborator first rights of negotiation to extramural Inventions (web site: http://ctep.cancer.gov/industryCollaborations2/intellectual_property.htm). Although this CRADA does not grant to Collaborator any rights to Inventions made or Raw Data generated by ~~ICD's~~ NCI's contractors or ~~grantees~~ Extramural Investigators, as they are not parties to this CRADA, ~~ICD~~ NCI agrees that:

~~8.8.1 Subject to the other provisions of Article 8 of this CRADA, ICD will maintain, to the extent permitted by law, all Clinical Data in ICD's Possession and Control as Confidential Information, and make them available to Collaborator for its own use and for exclusive use in obtaining regulatory approval for the commercial marketing of Test Article and related CRADA Subject Inventions.~~

8.8.1~~2~~ With regard to Collaborator's Confidential Information, ~~ICD~~ NCI will require the ~~Clinical~~ NCI Extramural Investigators to agree to confidentiality provisions at least as restrictive as those provided in this CRADA and to Collaborator's use of data ~~in accordance with Paragraph 8.8.1~~ for obtaining regulatory approval for marketing ~~Test Article~~ Investigational Agent.

8.8.2~~3~~ If Collaborator wants access to Raw Data or any other data in the possession of the ~~Clinical~~ NCI Extramural Investigators working with ~~Test Article~~ Investigational Agent under a Funding Agreement or other agreements, Collaborator must first contact the ~~CRADA PI~~ Regulatory Affairs Branch (RAB), CTEP, NCI [Telephone 301-496-7912; anshers@mail.nih.gov]. Subsequent to authorization by RAB, Collaborator may directly contact the NCI Investigators. Collaborator will bear any costs associated with Raw Data provided in formats customized for Collaborator, which costs will be paid by Collaborator directly to the NCI Investigators. Collaborator's access to Raw Data is only for regulatory purposes.

8.8.3~~4~~ ~~Collaborator's right to access Clinical Data in ICD's Possession and Control under Paragraph 8.8 is dependent upon Collaborator's continued development and commercialization of Investigational Agent.~~ If Collaborator fails to continue development or commercialization of Investigational Agent without the transfer of its development efforts to another party within […***…] days of discontinuation, ~~ICD~~ NCI has the right to make ~~Clinical~~ CRADA Data ~~in ICD's Possession and Control~~ and Raw Data available to a third party.

Add a new **Article 8.9** as follows:

8.9 **Multi-Party Data Rights**. For clinical Protocol(s) and Non-Clinical Study(ies) where Investigational Agent is used in combination with another investigational agent supplied to NCI pursuant to a CTA or CRADA between NCI and an entity not a Party to this CRADA [hereinafter referred to as "Third Party"], the access and use of Multi-Party Data by the Collaborator and Third Party shall be co-exclusive as follows:

8.9.1 NCI will provide both Collaborator and Third Party with notice regarding the existence and nature of the agreements governing their collaborations with NIH, the design of the proposed combination Protocol(s) or Non-Clinical Study(ies), and the existence of any obligations that might restrict NCI's participation in the proposed combination Protocols or Non-Clinical Study(ies).

8.9.2 Collaborator shall agree to permit use of the Multi-Party Data from these trials by Third Party to the extent necessary to allow Third Party to develop, obtain regulatory approval for, or commercialize its own investigational agent(s). However, this provision will not apply unless Third Party also agrees to Collaborator's reciprocal use of Multi-Party Data.

8.9.3 Collaborator and Third Party must agree in writing prior to the commencement of the combination Protocol(s) or Non-Clinical Study(ies) that each will use the Multi-Party Data solely for the development, regulatory approval, and commercialization of its own investigational agent(s).

Add a new **Article 8.10** as follows:

8.10 **Access, review and receipt of Identifiable Private Information**. Collaborator access to and review of Identifiable Private Information shall be only for on-site quality auditing. Collaborator will receive Identifiable Private Information only if necessary for purposes of satisfying FDA or other health authorities' reporting requirements, and for internal research purposes, directly related to obtaining regulatory approval of Investigational Agent. Collaborator is prohibited from access, review, receipt, or use of such information for other purposes. All IRB approved Protocols and informed consent documents related to this CRADA will clearly describe this practice. If the Collaborator will have access to Identifiable Private Information, the Protocol and the informed consent must clearly state (i) the existence of the Collaborator; (ii) the Collaborator's access to Identifiable Private Information, if any; and (iii) the extent to which confidentiality will be maintained. For clinical Protocol(s) involving a Third Party, the other party's access, review, receipt, or use of Identifiable Private Information shall be subject to the same limitations as described in this Article 8.10.

Article 10.5 is modified to read as follows:

10.5 **New Commitments**. Neither Party will incur new expenses related to this CRADA after expiration, mutual termination, or a notice of a unilateral termination and will, to the extent feasible, cancel all outstanding commitments and contracts by the termination date. Collaborator acknowledges that ICD will have the authority to retain and expend any funds for up to […***…] subsequent to the expiration or termination date to cover any unpaid costs obligated during the term of the CRADA in undertaking the research and development activities set forth in the Research Plan.

Article 10.6 is modified to read as follows:

10.6 **Collaborator Failure to Continue Development**. If Collaborator suspends development of the ~~Test Article~~ Investigational Agent without the transfer of its active development efforts, assets, and obligations to a third party within […***…] days of discontinuation, Collaborator agrees that ICD may continue developing the ~~Test Article~~ Investigational Agent. In that event, the following will apply:

10.6.1 Collaborator agrees to transfer to ICD all information necessary to enable ICD to contract for the manufacture of the ~~Test Article~~ Investigational Agent and, unless abandoned for reasons relating to safety as determined by the data safety monitoring board, to provide the ~~Test Article~~ Investigational Agent (and Placebo, if any) in Collaborator's inventory to ICD or arrange for an independent contractor to manufacture and provide Investigational Agent to NCI for (i) […***…] years or (ii) until […***…].

10.6.2 Further, Collaborator hereby grants to ICD a nonexclusive, irrevocable, world-wide, paid-up license to practice, or have practiced for or on behalf of the Government, any Background Invention that Collaborator may currently have or will obtain on the ~~Test Article~~ Investigational Agent, its manufacture, or on any method of using the ~~Test Article~~ Investigational Agent for the indication(s) described in the Research Plan, including the right to sublicense to third parties.

Article 13.7 is modified to read as follows:

13.7 **Assignment**. Neither this CRADA nor any rights or obligations of any Party hereunder shall be assigned or otherwise transferred by either Party without the prior written consent of the other Party. The Collaborator acknowledges the applicability of 41 U.S.C. § 15, the Anti Assignment Act, to this Agreement. The Parties agree that the identity of the Collaborator is material to the performance of this CRADA and that the duties under this CRADA are nondelegable. Collaborator shall have the right to assign this Agreement to its Affiliates.

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Article 13.9 is modified to read as follows:

13.9 **Independent Contractors**. The relationship of the Parties to this CRADA is that of independent contractors and not agents of each other or joint venturers or partners. Each Party will maintain sole and exclusive control over its personnel and operations. If Collaborator elects to perform any portion of the Research Plan through a contractor or consultant, Collaborator agrees to incorporate into such contract all provisions necessary to ensure that the work of such contractor or consultants is governed by the terms of the CRADA, including, but not limited to a provision for the assignment of Inventions of the contractor or consultant to the Collaborator.

In conducting a portion of the CRADA research, it may be necessary for NCI to utilize the services of NCI's contractors or subcontractors. As described in Article 8.8, certain contractors perform under Funding Agreements, which include an Intellectual Property Option to Collaborator Terms of Award Addition offering Collaborator first rights of negotiation to extramural Inventions (web site: http://ctep.cancer.gov/industryCollaborations2/intellectual_property.htm).

Other NCI contractors or subcontractors, including those performing the DCTD Clinical Support Assays, may be subject to a Determination of Exceptional Circumstances (35 U.S.C. § 202(a)(ii)), through which their rights in Inventions made using the Investigational Agent are assigned to the Government. Such Inventions are then subject to the terms of this CRADA.

Article 13.12 is modified to read as follows:

13.12 **Export Controls**. Collaborator agrees to comply with U.S. export law and regulations, including 21 U.S.C. 382 and 21 CFR Part 312.110. If Collaborator has a need to transfer any CRADA Materials made in whole or in part by ICD, or ICD Materials, or ICD's Confidential Information to a person located in a country other than the United States, to an Affiliate organized under the laws of a country other than the United States, or to an employee of Collaborator in the United States who is not a citizen or permanent resident of the United States, Collaborator will acquire any and all necessary export licenses and other appropriate authorizations.

Article 13.13 is modified to read as follows:

13.13 **Entire Agreement**. This CRADA constitutes the entire agreement between the Parties concerning the subject matter of this CRADA and supersedes any prior understanding or written or oral agreement~~.~~, including, without limitation, the Confidential Disclosure Agreement (CDA) executed by the Parties on May 27, 2009 (NCI CDA# 07779) that will expire on May 26, 2014. Upon execution of this CRADA, the CDA, as it pertains to TRC105, is hereby superseded and succeeded by the terms of this CRADA.

Article 13.14 is modified to read as follows:

13.14 **Survivability**. The provisions of Paragraphs 3.3, 3.4, 3.8, 4.2, 4.3, 4.4, 5.3, 5.4, 6.1-9.2, 10.3-10.6, 11.1, 11.2, 12.1-12.3, 13.1-13,3, 13.7, 13.10 and 13.14 will survive the expiration or early termination of this CRADA.

APPENDIX D

MATERIAL TRANSFER AGREEMENT

Provider: Division of Cancer Treatment and Diagnosis, National Cancer Institute

Recipient: University School of Medicine

Recipient's Investigator: Dr. John Doe, Ph.D., as an employee of the University School of Medicine

1. Provider agrees to transfer to Recipient's Investigator the following Research Material:

1.0 mg of Agent X (NSC 00000), an agent proprietary to Company A, Inc. (Company)

2. THIS RESEARCH MATERIAL MAY NOT BE USED IN HUMANS. The Research Material will only be used for research purposes by Recipient's Investigator in his/her laboratory, for the Research Project described below, under suitable containment conditions. This Research Material will not be used by for-profit recipients for screening, production or sale, for which a commercialization license may be required. Recipient agrees to comply with all Federal rules and regulations applicable to the Research Project and the handling of the Research Material.

2(a). Is Research Material of human origin?

_____ Yes
_____ No

2(b). If yes in 2(a), was Research Material collected according to 45 CFR Part 46, "Protection of Human Subjects"?

_____ Yes (Please provide Assurance Number: _____)
_____ No
_____ Not Applicable (brief explanation……)

3. This Research Material will be used by Recipient's Investigator solely in connection with the following research project ("Research Project") described with specificity as follows (use an attachment page if necessary):

For example: This Research Material will be used for preclinical studies investigating the effects of the Research Material in a cancer cell line.

3(a). Are any materials used in the Research Project of human origin?

_____ Yes
_____ No

3(b). If yes in 3(a), were human-origin materials collected according to 45 CFR Part 46, "Protection of Human Subjects"?

_____ Yes (Please provide Assurance Number: _____)
_____ No

_____ Not Applicable (brief explanation……)

4. In all oral presentations or written publications concerning the Research Project, Recipient will acknowledge Provider's or Company's contribution of this Research Material unless requested otherwise. To the extent permitted by law, Recipient agrees to treat in confidence, for a period of […***…] years from the date of its disclosure, any of Provider's or Company's written information about this Research Material that is stamped "CONFIDENTIAL," except for information that was previously known to Recipient or that is or becomes publicly available or which is disclosed to Recipient without a confidentiality obligation. Any oral disclosures to Recipient shall be identified as being CONFIDENTIAL by written notice delivered to Recipient within thirty (30) days after the date of the oral disclosure. Recipient may publish or otherwise publicly disclose the results of the Research Project, but if CONFIDENTIAL information has been given to Recipient, such public disclosure may be made only after Provider and Company have had thirty (30) days to review the proposed disclosure to determine if it includes any CONFIDENTIAL information, except when a shortened time period under court order or the Freedom of Information Act pertains. The publication or other disclosure shall be delayed for up to an additional thirty (30) days upon written request by either Provider or Company as necessary to preserve U.S. or foreign patent or other intellectual property rights. Abstracts must also be sent to Provider who will forward them to Company for courtesy notification after submission but prior to presentation or publication.

5. This Research Material is proprietary to Company. Company has agreed to allow NCI to make their proprietary compound available for this Research Project. Recipient's Investigator agrees to retain control over this Research Material and further agrees not to transfer the Research Material to other people not under her or his direct supervision without advance written approval of Provider. When the Research Project is completed, the Research Material will be disposed of, if directed by Provider.

6. This Research Material is provided as a service to the research community. IT IS BEING SUPPLIED TO RECIPIENT WITH NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Provider makes no representations that the use of the Research Material will not infringe any patent or proprietary rights of third parties.

7. Recipient shall retain title to any patent or other intellectual property rights in inventions made by its employees in the course of the Research Project. Recipient agrees not to claim, infer, or imply endorsement by the Government of the United States of America (hereinafter referred to as "Government") of the Research Project, the institution or personnel conducting the Research Project or any resulting product(s). Unless prohibited by law from doing so, Recipient agrees to hold the Government harmless and to indemnify the Government for all liabilities, demands, damages, expenses and losses arising out of Recipient's use for any purpose of the Research Material.

8. The undersigned Provider and Recipient expressly certify and affirm that the contents of any statements made herein are truthful and accurate.

9. This MTA shall be construed in accordance with Federal law as applied by the Federal courts in the District of Columbia.

10. Results of the Research Project shall be provided to the Provider. Publications shall be provided to Provider and Company as described in Article 4.

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11. Recipient ("Institution") agrees to notify Provider and Company upon the filing of any patent applications related to research with this Research Material under this Agreement and abide by the following terms of the Intellectual Property Option to Collaborator:

Institution agrees to promptly notify the Provider (NCI) and Company in writing of any inventions, discoveries or innovations made by the Recipient's Investigator or any other employees or agents of Institution, whether patentable or not, which are conceived or first actually reduced to practice in the performance of this Research Project using Company's Research Material (hereinafter "Institution Inventions").

Institution agrees to grant to Company: (i) a paid-up nonexclusive, nontransferable, royalty-free, world-wide license to all Institution Inventions for research purposes only; and (ii) a time-limited first option to negotiate an exclusive or co-exclusive, if applicable, world-wide royalty-bearing license for all commercial purposes, including the right to grant sub-licenses, to all Institution Inventions on terms to be negotiated in good faith by Company and Institution. Company shall notify Institution, in writing, of its interest in obtaining an exclusive or co-exclusive license to any Institution Invention within […***…] months of Company's receipt of written notice of such Institution Invention(s). In the event that Company fails to so notify Institution, or elects not to obtain an exclusive or co-exclusive license, then Company's option shall expire with respect to that Institution Invention, and Institution will be free to dispose of its interests in such Institution Invention in accordance with Institution's policies. If Institution and Company fail to reach agreement within […***…] days, (or such additional period as Company and Institution may agree) on the terms for an exclusive or co-exclusive license for a particular Institution Invention, then for a period of […***…] months thereafter Institution shall not offer to license the Institution Invention to any third party on materially better terms than those last offered to Company without first offering such terms to Company, in which case Company shall have a period of […***…] days in which to accept or reject the offer.

Institution agrees that notwithstanding anything herein to the contrary, any inventions, discoveries or innovations, whether patentable or not, which are not Subject Inventions as defined in 35 USC 201(e),* arising out of any unauthorized use of the Research Material and/or any modifications to the Research Material, shall be the property of Company (hereinafter "Company Inventions"). Institution will promptly notify Company in writing of any such Company Inventions and, at Company's request and expense, Institution will cause to be assigned to Company all right, title and interest in and to any such Company Inventions and provide Company with reasonable assistance to obtain patents (including causing the execution of any invention assignment or other documents)**: Institution may also be conducting other more basic research using the Research Material under the authority of a separate Material Transfer Agreement (MTA), or other such agreement with Company. Inventions arising thereunder shall be subject to the terms of the separate MTA, and not to this clause.

* 35 USC 201 (e): The term "Subject Invention" means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement, provided that in the case of a variety of plant, the date of determination (as defined in section 41(d) (FOOTNOTE 1) of the Plant Variety Protection Act (7 U.S.C. 2401(d))) must also occur during the period of contract performance.

**Assignment of such Company Inventions by Institution shall be in accordance with any approvals required by 35 USC 202 (c)(7).

***Confidential Treatment Requested

12. This Agreement shall terminate two (2) years from the date of the last signature below.

Signatures Begin on Next Page

SIGNATURES

RECIPIENT

Date	John Doe, Ph.D.
Date	Authorized Signature for Recipient and Title

Recipient's Official and Mailing Address:

John Doe, Ph.D.
Associate Professor
Department of Biochemistry
University School of Medicine
City, State, Zip
Phone:

NATIONAL CANCER INSTITUTE

Date	Sherry Ansher, Ph.D. Associate Chief, Agreement Coordination Group
Date	Laurie Whitney, Ph.D. Supervisory Technology Transfer Specialist Technology Transfer Center, NCI

Please address all correspondence related to this agreement to Sally Hausman at the following address by express mail:

Sally Hausman
Senior Specialist, Research and Development Agreements
Regulatory Affairs Branch
Cancer Therapy Evaluation Program
Executive Plaza North, Suite 7111
6130 Executive Blvd.
Rockville, MD 20852-7181

Any false or misleading statements made, presented, or submitted to the Government, including any relevant omissions, under this Agreement and during the course of negotiation of this Agreement are subject to all applicable civil and criminal statutes including Federal statutes 31 U.S.C. §§ 3801-3812 (civil liability) and 18 U.S.C. § 1001 (criminal liability including fine(s) and/or imprisonment).

Exhibit 10.19

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 230.406.**

PUBLIC HEALTH SERVICE

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT FOR INTRAMURAL-PHS CLINICAL RESEARCH

This Agreement is based on the model Cooperative Research and Development Agreement ("CRADA") adopted by the U.S. Public Health Service ("PHS") Technology Transfer Policy Board for use by components of the National Institutes of Health ("NIH"), the Centers for Disease Control and Prevention ("CDC"), and the Food and Drug Administration ("FDA"), which are agencies of the PHS within the Department of Health and Human Services ("HHS").

This Cover Page identifies the Parties to this CRADA:

The U.S. Department of Health and Human Services, as represented by
National Cancer Institute
an Institute, Center, or Division (hereinafter referred to as the "ICD") of the
NIH

and

Tracon Pharmaceuticals, Inc.
hereinafter referred to as the "Collaborator",
having offices at 4510 Executive Drive, Suite 330, San Diego, CA 92121
created and operating under the laws of Delaware

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT FOR INTRAMURAL-PHS CLINICAL RESEARCH

Article 1. Introduction

This CRADA between ICD and Collaborator will be effective when signed by the Parties, which are identified on both the Cover Page and the Signature Page (page 21). The official contacts for the Parties are identified on the Contacts Information Page (page 22). Publicly available information regarding this CRADA appears on the Summary Page (page 23). The research and development activities that will be undertaken by ICD and Collaborator in the course of this CRADA are detailed in the Research Plan, attached as Appendix A. The staffing, funding, and materials contributions of the Parties are set forth in Appendix B. Any changes to the model CRADA are set forth in Appendix C.

Article 2. Definitions

The terms listed in this Article will carry the meanings indicated throughout the CRADA. To the extent a definition of a term as provided in this Article is inconsistent with a corresponding definition in the applicable sections of either the United States Code (U.S.C.) or the Code of Federal Regulations (C.F.R.), the definition in the U.S.C. or C.F.R. will control.

"Adverse Drug Experience" or "ADE" means an Adverse Event associated with the use of the Test Article, that is, an event where there is a reasonable possibility that the Test Article may have caused the event (a relationship between the Test Article and the event cannot be ruled out), in accordance with the definitions of 21 C.F.R. Part 305, 310, or 312, or other applicable regulations.

"Adverse Event" or **"AE"** means any untoward medical occurrence in a Human Subject administered Test Article. An AE does not necessarily have a causal relationship with the Test Article, that is, it can be any unfavorable and unintended sign (including an abnormal laboratory finding), symptom, or disease temporally associated with the use of the Test Article, whether or not it is related to it. See FDA Good Clinical Practice Guideline (from International Conference on Harmonisation (ICH) E6: "Good Clinical Practice: Consolidated Guidance, 62 Federal Register 25, 691 (1997)).

"Affiliate" means any corporation or other business entity controlled by, controlling, or under common control with Collaborator at any time during the term of the CRADA. For this purpose, "control" means direct or indirect beneficial ownership of at least fifty percent (50%) of the voting stock or at least fifty percent (50%) interest in the income of the corporation or other business entity.

"Annual Report" means the report of progress of an IND-associated investigation that ICD, as the IND Sponsor, must submit to the FDA within sixty (60) days of the anniversary of the effective date of the IND (pursuant to 21 C.F.R.§ 312.33).

"Background Invention" means an Invention conceived and first actually reduced to practice before the Effective Date.

"Clinical Investigator" means, in accordance with 21 C.F.R. § 312.3, an individual who actually conducts a clinical investigation, that is, who directs the administration or dispensation of Test Article to a subject, and who assumes responsibility for studying Human Subjects, for recording and ensuring the integrity of research data, and for protecting the welfare and safety of Human Subjects.

"Collaborator Materials" means all tangible materials not first produced in the performance of this CRADA that are owned or controlled by Collaborator and used in the performance of the Research Plan. The term "Collaborator Materials" does not include "Test Article" (defined below).

"Confidential Information" means confidential scientific, business, financial information, or Identifiable Private Information provided that the information does not include:

(a) information that is publicly known or that is available from public sources;
(b) information that has been made available by its owner to others without a confidentiality obligation;
(c) information that is already known by the receiving Party, or information that is independently created or compiled by the receiving Party without reference to or use of the provided information; or
(d) information that relates to potential hazards or cautionary warnings associated with the production, handling, or use of the subject matter of the Research Plan.

"Cooperative Research and Development Agreement" or **"CRADA"** means this Agreement, entered into pursuant to the Federal Technology Transfer Act of 1986, as amended (15 U.S.C. §§ 3710a *et seq*.), and Executive Order 12591 of April 10, 1987.

"CRADA Data" means all recorded information first produced in the performance of the Research Plan.

"CRADA Materials" means all tangible materials first produced in the performance of the Research Plan other than CRADA Data.

"CRADA Principal Investigator(s)" or **"CRADA PI(s)"** means the person(s) designated by the Parties who will be responsible for the scientific and technical conduct of the Research Plan. The CRADA PI may also be a Clinical Investigator.

"CRADA Subject Invention" means any Invention of either or both Parties, conceived or first actually reduced to practice in the performance of the Research Plan.

"Drug Master File" or **"DMF"** is described in 21 C.F.R. Part 314.420. A DMF is a submission to the FDA that may be used to provide confidential detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging, and storing of one or more human drugs.

"Effective Date" means the date of the last signature of the Parties executing this Agreement.

"Government" means the Government of the United States of America.

"Human Subject" means, in accordance with the definition in 45 C.F.R. § 46.102(f), a living individual about whom an investigator conducting research obtains:

(a) data through intervention or interaction with the individual; or
(b) Identifiable Private Information.

"ICD Materials" means all tangible materials not first produced in the performance of this CRADA that are owned or controlled by ICD and used in the performance of the Research Plan.

"IND" means an **"Investigational New Drug Application",** filed in accordance with 21 C.F.R. Part 312 under which clinical investigation of an experimental drug or biologic (Test Article) is performed in Human Subjects in the United States or intended to support a United States licensing action.

"Identifiable Private Information" or **"IPI"** about a Human Subject means private information from which the identity of the subject is or may readily be ascertained. Regulations defining and governing this information include 45 C.F.R. Part 46 and 21 C.F.R. Part 50.

"Institutional Review Board" or **"IRB"** means, in accordance with 45 C.F.R. Part 46, 21 C.F.R. part 56, and other applicable regulations, an independent body comprising medical, scientific, and nonscientific members, whose responsibility is to ensure the protection of the

rights, safety, and well-being of the Human Subjects involved in a study.

"Invention" means any invention or discovery that is or may be patentable or otherwise protected under Title 35 of the United States Code, or any novel variety of plant which is or may be protectable under the Plant Variety Protection Act, 7 U.S.C. §§ 2321 *et seq.*

"Investigator's Brochure" means, in accordance with the definition in 21 C.F.R. § 312.23(a)(5), a document containing information about the Test Article, including animal screening, preclinical toxicology, and detailed pharmaceutical data, including a description of possible risks and side effects to be anticipated on the basis of prior experience with the drug or related drugs, and precautions, such as additional monitoring, to be taken as part of the investigational use of the drug.

"Patent Application" means an application for patent protection for a CRADA Subject Invention with the United States Patent and Trademark Office ("U.S.P.T.O.") or the corresponding patent-issuing authority of another nation.

"Patent" means any issued United States patent, any international counterpart(s), and any corresponding grant(s) by a non-U.S. government in place of a patent.

"Placebo" means an inactive substance identical in appearance to the material being tested that is used to distinguish between drug action and suggestive effect of the material under study.

"Protocol" means the formal, detailed description of a study to be performed as provided for in the Research Plan. It describes the objective(s), design, methodology, statistical considerations, and organization of a trial. For the purposes of this CRADA, the term, Protocol, for clinical research involving Human Subjects, includes any and all associated documents, including informed consent forms, to be provided to Human Subjects and potential participants in the study.

"Raw Data" means the primary quantitative and empirical data first collected from experiments and clinical trials conducted within the scope of this CRADA.

"Research Plan" means the statement in Appendix A of the respective research and development commitments of the Parties. The Research Plan should describe the provisions for sponsoring the IND, clinical and safety monitoring, and data management.

"Sponsor" means, in accordance with the definition in 21 C.F.R. § 312.3, an organization or individual who assumes legal responsibility for supervising or overseeing clinical trials with Test Articles, and is sometimes referred to as the IND holder.

"Steering Committee" means the research and development team whose composition and responsibilities with regard to the research performed under this CRADA are described in Appendix A.

"Summary Data" means any extract or summary of the Raw Data, generated either by, or on behalf of, ICD or by, or on behalf of, Collaborator. Summary Data may include extracts or summaries that incorporate IPI.

"Test Article" means, in accordance with 21 C.F.R, 50.3 (j), any drug (including a biological product), medical device, food additive, color additive, electronic product, or any other article subject to regulation under the Federal Food, Drug, and Cosmetic Act that is intended for administration to humans or animals, including a drug or biologic as identified in the Research Plan and Appendix B, that is used within the scope of the Research Plan. The Test Article may also be referred to as Investigational Agent, Study Material, or Study Product.

Article 3. Cooperative Research and Development

3.1 **Performance of Research and Development.** The research and development activities to be carried out under this CRADA will be performed solely by the Parties identified on the Cover Page, unless specifically stated elsewhere in the Agreement. The CRADA PIs will be responsible for coordinating the scientific and technical conduct of this project on behalf of their employers. Any Collaborator employees who will work at ICD facilities will be required to sign a Guest Researcher or Special Volunteer Agreement appropriately modified in view of the terms of this CRADA.

3.2 **Research Plan.** The Parties recognize that the Research Plan describes the collaborative research and development activities they will undertake and that interim research goals set forth in the Research Plan are good faith guidelines. Should events occur that require modification of these goals, then by mutual agreement the Parties can modify them through an amendment, according to Paragraph 13.6.

3.3 **Use and Disposition of Collaborator Materials and ICD Materials.** The Parties agree to use Collaborator Materials and ICD Materials only in accordance with the Research Plan and Protocol(s), not to transfer these materials to third parties except in accordance with the

Research Plan and Protocol(s) or as approved by the owning or providing Party, and, upon expiration or termination of the CRADA, to dispose of these materials as directed by the owning or providing Party.

3.4 **Third-Party Rights in Collaborator's CRADA Subject Inventions.** If Collaborator has received (or will receive) support of any kind from a third party in exchange for rights in any of Collaborator's CRADA Subject Inventions, Collaborator agrees to ensure that its obligations to the third party are both consistent with Articles 6 through 8 and subordinate to Article 7 of this CRADA.

3.5 **Disclosures to ICD.** Prior to execution of this CRADA, Collaborator agrees to disclose to ICD all instances in which outstanding royalties are due under a PHS license agreement and in which Collaborator had a PHS license terminated in accordance with 37 C.F.R. § 404.10. These disclosures will be treated as Confidential Information upon request by Collaborator in accordance with the definition in Article 2 and Paragraphs 8.3 and 8.4.

3.6 **Clinical Investigator Responsibilities.** The Clinical Investigator will be required to submit, or to arrange for submission of, each Protocol associated with this CRADA to the IRB. In addition to the Protocol all associated documents, including informational documents and advertisements, must be reviewed and approved by the IRB before starting the research. The research will be done in strict accordance with the Protocol(s) and no substantive changes in a finalized Protocol will be made unless mutually agreed upon, in writing, by the Parties. Research will not commence (or will continue unchanged, if already in progress) until each substantive change to a Protocol, including those required by either the FDA or the IRB, has been integrated in a way acceptable to the Parties, submitted to the FDA (if applicable) and approved by the IRB.

3.7 **Investigational Applications.**

3.7.1 If an IND is required, ICD will be the IND Sponsor and will submit an IND. All Clinical Investigators must have completed registration documents on file (1572 forms).

3.7.2 When ICD files the IND, Collaborator agrees to provide ICD background data and information necessary to support the IND. Collaborator further agrees to provide a letter of cross-reference to all pertinent regulatory filings sponsored by Collaborator. Collaborator's employees will be reasonably available to respond to inquiries from the FDA regarding information and data contained in the Collaborator's IND, DMF, other filings, or other information and data provided to ICD by the Collaborator pursuant to this Article 3.

3.7.3 If Collaborator supplies Confidential Information to ICD in support of an IND filed by ICD, this information will be protected in accordance with the corresponding confidentiality provisions of Article 8.

3.7.4 Collaborator may sponsor its own clinical trials and hold its own **IND** for studies performed outside the scope of this CRADA. These studies, however, should not adversely affect the ability to accomplish the goal of the Research Plan, for example, by competing for the same study population. All data from those clinical trials are proprietary to Collaborator for purposes of this CRADA.

3.8 **Test Article Information and Supply.** Collaborator agrees to provide ICD without charge and on a schedule that will ensure adequate and timely performance of the research, a sufficient quantity of formulated and acceptably labeled, clinical-grade Test Article (and, as required by the Protocol(s), Placebo) to complete the clinical trial(s) agreed to and approved under this CRADA. Collaborator will provide a Certificate of Analysis to ICD for each lot of the Test Article provided.

3.9 **Test Article Delivery and Usage.** Collaborator will ship the Test Article and, if required, Placebo to ICD in containers marked in accordance with 21 C.F.R. § 312.6. ICD agrees that the Clinical Investigators will keep appropriate records and take reasonable steps to ensure that the Test Article is used in accordance with the Protocol(s) and applicable FDA regulations. In addition, ICD agrees that the Test Article (and all Confidential Information supplied by Collaborator relating to the Test Article) will be used solely for the conduct of the CRADA research and development activities. Furthermore, ICD agrees that no analysis or modification of the Test Article will be performed without Collaborator's prior written consent. At the completion of the Research Plan, any unused quantity of Test Article will be returned to Collaborator or disposed as directed by Collaborator. Pharmacy contacts at ICD will be determined by ICD and communicated to Collaborator.

3.10 **Monitoring.** Subject to the restrictions in Article 8 concerning IPI, and with reasonable

advance notice and at reasonable times, ICD will permit Collaborator or its designee(s) to monitor the conduct of the research, as well as to audit source documents containing Raw Data, to the extent necessary to verify compliance with FDA Good Clinical Practice (International

Conference on Harmonisation (ICH) E6: “Good Clinical Practice: Consolidated Guidance; 62 Federal Register 25, 691 (1997)) and the Protocol(s).

3.11 **FDA Meetings/Communications.** All meetings with the FDA concerning any clinical trial within the scope of the Research Plan will be discussed by Collaborator and ICD in advance. Each Party reserves the right to take part in setting the agenda for, to attend, and to participate in these meetings. ICD will provide Collaborator with copies of FDA meeting minutes, all transmittal letters for IND submissions, IND safety reports, formal questions and responses that have been submitted to the FDA, Annual Reports, and official FDA correspondence, pertaining either to the INDs under this CRADA or to the Clinical Investigators on Protocols performed in accordance with the Research Plan, except to the extent that those documents contain the proprietary information of a third party or dissemination is prohibited by law.

Article 4. Reports

4.1 **Interim Research and Development Reports.** The CRADA PIs should exchange information regularly, in writing. This exchange may be accomplished through meeting minutes, detailed correspondence, circulation of draft manuscripts, Steering Committee reports, copies of Annual Reports and any other reports updating the progress of the CRADA research. However, the Parties must exchange updated Investigator’s Brochure, formulation and preclinical data, and toxicology findings, as they become available.

4.2 **Final Research and Development Reports.** The Parties will exchange final reports of their results within six (6) months after the expiration or termination of this CRADA. These reports will set forth the technical progress made; any publications arising from the research; and the existence of invention disclosures of potential CRADA Subject Inventions and/or any corresponding Patent Applications.

4.3 **Fiscal Reports.** If Collaborator has agreed to provide funding to ICD under this CRADA and upon the request of Collaborator, then concurrent with the exchange of final research and development reports according to Paragraph 4.2, ICD will submit to Collaborator a statement of all costs incurred by ICD for the CRADA. If the CRADA has been terminated, ICD will specify any costs incurred before the date of termination for which ICD has not received funds from Collaborator, as well as for all reasonable termination costs including the cost of returning Collaborator property or removal of abandoned Collaborator property, for which Collaborator will be responsible.

4.4 **Safety Reports.** In accordance with FDA requirements ICD, as the IND Sponsor, will establish and maintain records and submit safety reports to the FDA, as required by 21 C.F.R. § 312.32 and 21 C.F.R. 812.150(b)(1), or other applicable regulations. In the conduct of research under this CRADA, the Parties will comply with specific ICD guidelines and policies for reporting ADEs and AEs, as well as procedures specified in

the Protocol(s). ICD must provide Collaborator with copies of all Safety Reports concurrently with their submission to the FDA, and with any other information affecting the safety of Human Subjects in research conducted under this CRADA.

4.5 **Annual Reports.** ICD will provide Collaborator a copy of the Annual Report concurrently with the submission of the Annual Report to the FDA. Annual Reports will be kept confidential in accordance with Article 8.

Article 5. Staffing, Financial, and Materials Obligations

5.1 **ICD and Collaborator Contributions.** The contributions of any staff, funds, materials, and equipment by the Parties are set forth in Appendix B. The Federal Technology Transfer Act of 1986, 15 U.S.C. § 3710a(d)(1) prohibits ICD from providing funds to Collaborator for any research and development activities under this CRADA.

5.2 **ICD Staffing.** No ICD employees will devote 100% of their effort or time to the research and development activities under this CRADA. ICD will not use funds provided by Collaborator under this CRADA for ICD personnel to pay the salary of any permanent ICD employee. Although personnel hired by ICD using CRADA funds will focus principally on CRADA research and development activities, Collaborator acknowledges that these personnel may nonetheless make contributions to other research and development activities, and the activities will be outside the scope of this CRADA.

5.3 **Collaborator Funding.** Collaborator acknowledges that Government funds received by Collaborator from an agency of the Department of Health and Human Services may not be used to fund ICD under this CRADA. If Collaborator has agreed to provide funds to ICD then the payment schedule appears in Appendix B and Collaborator will make payments according to that schedule. If Collaborator fails to make any scheduled payment, ICD will not be obligated to perform any of the research and development activities specified herein or to take any other action required by this CRADA until the funds are received. ICD will use these funds exclusively for the purposes of this CRADA. Each Party will maintain separate and distinct current accounts, records, and other evidence supporting its financial obligations under this CRADA and, upon written request, will provide the other Party a Fiscal Report according to Paragraph 4.3, which delineates all payments made and all obligated expenses, along with the Final Research Report described in Paragraph 4.2.

5.4 **Capital Equipment.** Collaborator’s commitment, if any, to provide ICD with capital equipment to enable the research and development activities under the Research Plan appears in Appendix B. If Collaborator transfers to ICD the capital equipment or provides funds for ICD to purchase it, then ICD will own the equipment. If Collaborator loans capital equipment to ICD for use during the CRADA, Collaborator will be responsible for paying all costs and fees associated with the transport, installation, maintenance, repair, removal, or disposal of the equipment, and ICD will not be liable for any damage to the equipment.

Article 6. Intellectual Property

6.1 **Ownership of CRADA Subject Inventions, CRADA Data, and CRADA Materials**. Subject to the Government license described in Paragraph 7.5, the sharing requirements of Paragraph 8.1 and the regulatory filing requirements of Paragraph 8.2, the producing Party will retain sole ownership of and title to all CRADA Subject Inventions, all copies of CRADA Data, and all CRADA Materials produced solely by its employee(s). The Parties will own jointly all CRADA Subject Inventions invented jointly and all CRADA Materials developed jointly.

6.2 **Reporting**. The Parties will promptly report to each other in writing each CRADA Subject Invention reported by their respective personnel, and any Patent Applications filed thereon, resulting from the research and development activities conducted under this CRADA. Each Party will report all CRADA Subject Inventions to the other Party in sufficient detail to determine inventor ship, which will be determined in accordance with U.S. patent law. These reports will be treated as Confidential Information in accordance with Article 8. Formal reports will be made by and to the Patenting and Licensing Offices identified on the Contacts Information Page herein.

6.3 **Filing of Patent Applications**. Each Party will make timely decisions regarding the filing of Patent Applications on the CRADA Subject Inventions made solely by its employee(s), and will notify the other Party in advance of filing. Collaborator will have the first opportunity to file a Patent Application on joint CRADA Subject Inventions and will notify PHS of its decision within […***…] days of an Invention being reported or at least […***…] days before any patent filing deadline, whichever occurs sooner. If Collaborator fails to notify PHS of its decision within that time period or notifies PHS of its decision not to file a Patent Application, then PHS has the right to file a Patent Application on the joint CRADA Subject Invention. Neither Party will be obligated to file a Patent Application. Collaborator will place the following statement in any Patent Application it files on a CRADA Subject Invention: “This invention was created in the performance of a Cooperative Research and Development Agreement with the National Institutes of Health, an Agency of the Department of Health and Human Services. The Government of the United States has certain rights in this invention.” If either Party files a Patent Application on a joint CRADA Subject Invention, then the filing Party will include a statement within the Patent Application that clearly identifies the Parties and states that the joint CRADA Subject Invention was made under this CRADA.

6.4 **Patent Expenses**. Unless agreed otherwise, the Party filing a Patent Application will pay all preparation and filing expenses, prosecution fees, issuance fees, post issuance fees, patent maintenance fees, annuities, interference expenses, and attorneys’ fees for that Patent Application and any resulting Patent(s). If a license to any CRADA Subject Invention is granted to Collaborator, then Collaborator will be responsible for all expenses and fees, past and future, in connection with the preparation, filing, prosecution, and maintenance of any Patent Applications and Patents claiming exclusively licensed CRADA Subject Inventions and will be responsible for a pro-rated share, divided equally

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among all licensees, of those expenses and fees for non-exclusively licensed CRADA Subject Inventions. Collaborator may waive its exclusive option rights at any time, and incur no subsequent financial obligation for those Patent Application(s) or Patent(s).

6.5 **Prosecution of Patent Applications.** The Party filing a Patent Application will provide the non-filing Party with a copy of any official communication relating to prosecution of the Patent Application within thirty (30) days of transmission of the communication. Each Party will also provide the other Party with the power to inspect and make copies of all documents retained in the applicable Patent Application or Patent file. The Parties agree to consult with each other regarding the prosecution of Patent Applications directed to joint CRADA Subject Inventions. If Collaborator elects to file and prosecute Patent Applications on joint CRADA Subject Inventions, then Collaborator agrees to use the U.S.P.T.O. Customer Number Practice and/or grant PHS a power(s) of attorney (or equivalent) necessary to assure PHS access to its intellectual property rights in these Patent Applications. PHS and Collaborator will cooperate with each other to obtain necessary signatures on Patent Applications, assignments, or other documents.

Article 7. Licensing

7.1 **Background Inventions.** Other than as specifically stated in this Article 7, nothing in this CRADA will be construed to grant any rights in one Party’s Background Invention(s) to the other Party, except to the extent necessary for the Parties to conduct the research and development activities described in the Research Plan.

7.2 **Collaborator’s License Option to CRADA Subject Inventions.** With respect to Government rights to any CRADA Subject Invention made solely by an ICD employee(s) or made jointly by an ICD employee(s) and a Collaborator employee(s) for which a Patent Application was filed, PHS hereby grants to Collaborator an exclusive option to elect an exclusive or nonexclusive commercialization license. The license will be substantially in the form of the appropriate model PHS license agreement and will fairly reflect the nature of the CRADA Subject Invention, the relative contributions of the Parties to the CRADA Subject Invention and the CRADA, a plan for the development and marketing of the CRADA Subject Invention, the risks incurred by Collaborator, and the costs of subsequent research and development

needed to bring the CRADA Subject Invention to the marketplace. The field of use of the license will not exceed the scope of the Research Plan.

7.3 **Exercise of Collaborator's License Option.** To exercise the option of Paragraph 7.2 Collaborator must submit a written notice to the PHS Patenting and Licensing Contact identified on the Contacts Information Page (and provide a copy to the ICD Contact for CRADA Notices) within […***…] months after either (i) Collaborator receives written notice from PHS that the Patent Application has been filed or (ii) the date on which Collaborator files the Patent Application. The written notice exercising this option will include a completed "Application for License to Public Health Service Inventions" and will initiate a negotiation period that expires […***…] months after the exercise of the option. If PHS has not responded in writing to the last proposal by Collaborator within

this […***…] month period, the negotiation period will be extended to expire […***…] after PHS so responds, during which […***…] Collaborator may accept in writing the final license proposal of PHS. In the absence of Collaborator's exercise of the option, or upon election of a nonexclusive license, PHS will be free to license the CRADA Subject Invention to others. These time periods may be extended at the sole discretion of PHS upon good cause shown in writing by Collaborator.

7.4 **Government License in ICD Sole CRADA Subject Inventions and Joint CRADA Subject Inventions.** Pursuant to 15 U.S.C. § 3710a(b)(1)(A), for CRADA Subject Inventions owned solely by ICD or jointly by ICD and Collaborator, and licensed pursuant to the option of Paragraph 7.2, Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the CRADA Subject Invention or have the CRADA Subject Invention practiced throughout the world by or on behalf of the Government. In the exercise of this license, the Government will not publicly disclose trade secrets or commercial or financial information that is privileged or confidential within the meaning of 5 U.S.C. § 552(b)(4) or which would be considered privileged or confidential if it had been obtained from a non-federal party.

7.5 **Government License in Collaborator Sole CRADA Subject Inventions.** Pursuant to 15 U.S.C. § 3710a(b)(2), for CRADA Subject Inventions made solely by an employee of Collaborator, Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the CRADA Subject Invention or have the CRADA Subject Invention practiced throughout the world by or on behalf of the Government for research or other Government purposes.

7.6 **Third Party License.** Pursuant to 15 U.S.C. § 3710a(b)(1)(B), if PHS grants Collaborator an exclusive license to a CRADA Subject Invention made solely by an ICD employee or jointly with a Collaborator employee, the Government will retain the right to require Collaborator to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive sublicense to use the CRADA Subject Invention in Collaborator's licensed field of use on terms that are reasonable under the circumstances; or, if Collaborator fails to grant a license, to grant a license itself. The exercise of these rights by the Government will only be in exceptional circumstances and only if the Government determines (i) the action is necessary to meet health or safety needs that are not reasonably satisfied by Collaborator, (ii) the action is necessary to meet requirements for public use specified by federal regulations, and such requirements are not reasonably satisfied by Collaborator; or (iii) Collaborator has failed to comply with an agreement containing provisions described in 15 U.S.C. §-3710a(c)(4)(B). The determination made by the Government under this Paragraph is subject to administrative appeal and judicial review under 35 U.S.C. § 203(b).

7.7 **Third-Party Rights In ICD Sole CRADA Subject Inventions.** For a CRADA Subject Invention conceived prior to the Effective Date solely by an ICD employee that is first actually reduced to practice after the Effective Date in the performance of the Research Plan, the option offered to Collaborator in Paragraph 7.2 may be restricted if prior to the Effective Date, PHS had filed a Patent Application and has either offered or granted a

license in the CRADA Subject Invention to a third party. Collaborator nonetheless retains the right to apply for a license to any such CRADA Subject Invention in accordance with the terms and procedures of 35 U.S.C. § 209 and 37 C.F.R. Part 404.

7.8 **Joint CRADA Subject Inventions Not Exclusively Licensed by Collaborator.** If Collaborator does not acquire an exclusive commercialization license in a joint CRADA Subject Invention in all fields of use then, for those fields of use not exclusively licensed to Collaborator, each Party will have the right to use the joint CRADA Subject Invention and to license its use to others, and each Party will cooperate with the other, as necessary, to fulfill international licensing requirements. The Parties may agree to a joint licensing approach for any remaining fields of use.

Article 8. Rights of Access and Publication

8.1 **Right of Access to CRADA Data and CRADA Materials.** ICD and Collaborator agree to exchange all CRADA Data and to share all CRADA Materials. If the CRADA is terminated, both Parties agree to provide CRADA Materials in quantities needed to complete the Research Plan. Such provision will occur before the termination date of the CRADA or sooner, if required by the Research Plan. If Collaborator possesses any human biological specimens from clinical trials under the CRADA, the specimens must be handled as described in the Protocol or as otherwise directed by ICD before the termination date of the CRADA.

8.2 **Use of CRADA Data and CRADA Materials.** The Parties will be free to utilize CRADA Data and CRADA Materials internally for their own purposes, consistent with their obligations under this CRADA. The Parties may share CRADA Data or CRADA Materials with their Affiliates, agents or contractors provided the obligations of this Article 8.2 are simultaneously conveyed.

8.2.1 **CRADA Data.**
Collaborator and ICD will use reasonable efforts to keep CRADA Data confidential until published or until corresponding Patent Applications are filed. To the extent permitted by law, each Party will have the right to use any and all CRADA Data in and for any regulatory filing by or on behalf of the Party.

8.2.2 **CRADA Materials.**
Collaborator and ICD will use reasonable efforts to keep descriptions of CRADA Materials confidential until published or until corresponding Patent Applications are filed. Collaborator acknowledges that the basic research mission of PHS includes sharing with third parties for further research those research resources made in whole or in part with NIH funding. Consistent with this mission and the tenets articulated in "Sharing of Biomedical Research Resources: Principles and Guidelines for Recipients of NIH Research Grants and Contracts", December 1999, available at http://www.ott.nih.gov/policy/research tool.aspx, following publication either Party may make available to third parties for further research those CRADA Materials made jointly by both PHS and Collaborator.

Notwithstanding the above, if those joint CRADA Materials are the subject of a pending Patent Application or a Patent, or were created using a patent-pending or patented material or technology, the Parties may agree to restrict distribution or freely distribute them. Either Party may distribute those CRADA Materials made solely by the other Party only upon written consent from that other Party or that other Party's designee.

8.3 **Confidential Information.** Each Party agrees to limit its disclosure of Confidential Information to the amount necessary to carry out the Research Plan, and will place a confidentiality notice on all this information. A Party orally disclosing Confidential Information to the other Party will summarize the disclosure in writing and provide it to the other Party within fifteen (15) days of the disclosure. Each Party receiving Confidential Information agrees to use it only for the purposes described in the Research Plan. Either Party may object to the designation of information as Confidential Information by the other Party.

8.4 **Protection of Confidential Information.** Confidential Information will not be disclosed, copied, reproduced or otherwise made available to any other person or entity without the consent of the owning or providing Party except as required by a court or administrative body of competent jurisdiction, or federal law or regulation. Each Party agrees to use reasonable efforts to maintain the confidentiality of Confidential Information, which will in no instance be less effort than the Party uses to protect its own Confidential Information. Each Party agrees that a Party receiving Confidential Information will not be liable for the disclosure of that portion of the Confidential Information which, after notice to and consultation with the disclosing Party, the receiving Party determines may not be lawfully withheld, provided the disclosing Party has been given a reasonable opportunity to seek a court order to enjoin disclosure.

8.5 **Human Subject Protection.** The research to be conducted under this CRADA involves Human Subjects or human tissues within the meaning of 45 C.F.R. Part 46, and all research to be performed under this CRADA will conform to applicable federal laws and regulations. Additional information is available from the HHS Office for Human Research Protections (http://www.hhs.gov/ohrp/).

8.6 **Duration of Confidentiality Obligation.** The obligation to maintain the confidentiality of Confidential Information will expire at the earlier of the date when the information is no longer Confidential Information as defined in Article 2 or […***…] years after the expiration or termination date of this CRADA, except for IPI, for which the obligation to maintain confidentiality will extend indefinitely. Collaborator may request an extension to this term when necessary to protect Confidential Information relating to products not yet commercialized.

8.7 **Publication.** The Parties are encouraged to make publicly available the results of their research and development activities. Before either Party submits a paper or abstract for publication or otherwise intends to publicly disclose information about a CRADA Subject Invention, CRADA Data, or CRADA Materials, the other Party will have thirty

***Confidential Treatment Requested

(30) days to review proposed manuscripts and three (3) days to review proposed abstracts to assure that Confidential Information is protected. Either Party may request in writing that the proposed publication or other disclosure be delayed for up to thirty (30) additional days as necessary to file a Patent Application.

Article 9. Representations and Warranties

9.1 **Representations of ICD.** ICD hereby represents to Collaborator that:

9.1.1 ICD has the requisite power and authority to enter into this CRADA and to perform according to its terms, and that ICD's official signing this CRADA has authority to do so.

9.1.2 To the best of its knowledge and belief, neither ICD nor any of its personnel involved in this CRADA is presently subject to debarment or suspension by any agency of the Government which would directly affect its performance of the CRADA. Should ICD or any of its personnel involved in this CRADA be debarred or suspended during the term of this CRADA, ICD will notify Collaborator within thirty (30) days of receipt of final notice.

9.2 **Representations and Warranties of Collaborator.** Collaborator hereby represents and warrants to ICD that:

9.2.1 Collaborator has the requisite power and authority to enter into this CRADA and to perform according to its terms, and that Collaborator's official signing this CRADA has authority to do so.

9.2.2 Neither Collaborator nor any of its personnel involved in this CRADA, including Affiliates, agents, and contractors are presently subject to debarment or suspension by any agency of the Government. Should Collaborator or any of its personnel involved in this CRADA be debarred or suspended during the term of this CRADA, Collaborator will notify ICD within thirty (30) days of receipt of final notice.

9.2.3 Subject to Paragraph 12.3, and if and to the extent Collaborator has agreed to provide funding under Appendix B, Collaborator is financially able to satisfy these obligations in a timely manner.

9.2.4 The Test Article provided has been produced in accordance with the FDA's current Good Manufacturing Practice set out in 21 C.F.R. §§ 210-211 and ICH QA7, and meets the specifications cited in the Certificate of Analysis and Investigator's Brochure provided.

Article 10. Expiration and Termination

10.1 **Expiration.** This CRADA will expire on the last date of the term set forth on the

Summary Page. In no case will the term of this CRADA extend beyond the term indicated on the Summary Page unless it is extended in writing in accordance with Paragraph 13.6.

10.2 **Termination by Mutual Consent**. ICD and Collaborator may terminate this CRADA at any time by mutual written consent.

10.3 **Unilateral Termination**. Either ICD or Collaborator may unilaterally terminate this CRADA at any time by providing written notice at least sixty (60) days before the desired termination date. ICD may, at its option, retain funds transferred to ICD before unilateral termination by Collaborator for use in completing the Research Plan. If Collaborator terminates this Agreement before the completion of all approved or active Protocol(s), then Collaborator will supply enough Test Article (and Placebo, if applicable) to complete these Protocol(s) unless termination is for safety concerns.

10.4 **Funding for ICD Personnel**. If Collaborator has agreed to provide funding for ICD personnel and this CRADA is mutually or unilaterally terminated by Collaborator before its expiration, then Collaborator agrees that funds for that purpose will be available to ICD for a period of […***…] months after the termination date or until the expiration date of the CRADA, whichever occurs sooner. If there are insufficient funds to cover this expense, Collaborator agrees to pay the difference.

10.5 **New Commitments**. Neither Party will incur new expenses related to this CRADA after expiration, mutual termination, or a notice of a unilateral termination and will, to the extent feasible, cancel all outstanding commitments and contracts by the termination date. Collaborator acknowledges that ICD will have the authority to retain and expend any funds for up to […***…] subsequent to the expiration or termination date to cover any unpaid costs obligated during the term of the CRADA in undertaking the research and development activities set forth in the Research Plan.

10.6 **Collaborator Failure to Continue Development**. If Collaborator suspends development of the Test Article without the transfer of its active development efforts, assets, and obligations to a third party within […***…] days of discontinuation, Collaborator agrees that ICD may continue developing the Test Article. In that event, the following will apply:

10.6.1 Collaborator agrees to transfer to ICD all information necessary to enable ICD to contract for the manufacture of the Test Article and, unless abandoned for reasons relating to safety as determined by the data safety monitoring board, to provide the Test Article (and Placebo, if any) in Collaborator's inventory to ICD.

10.6.2 Further, Collaborator hereby grants to ICD a nonexclusive, irrevocable, worldwide, paid-up license to practice, or have practiced for or on behalf of the Government, any Background Invention that Collaborator may currently have or will obtain on the Test Article, its manufacture, or on any method of using the Test Article for the indication(s) described in the Research Plan, including the

right to sublicense to third parties.

Article 11. Disputes

11.1 **Settlement.** Any dispute arising under this CRADA which is not disposed of by agreement of the CRADA Principal Investigators will be submitted jointly to the signatories of this CRADA. If the signatories, or their designees, are unable to jointly resolve the dispute within thirty (30) days after notification thereof, the Assistant Secretary for Health (or his/her designee or successor) will propose a resolution. Nothing in this Paragraph will prevent any Party from pursuing any additional administrative remedies that may be available and, after exhaustion of such administrative remedies, pursuing all available judicial remedies.

11.2 **Continuation of Work**. Pending the resolution of any dispute or claim pursuant to this Article 11, the Parties agree that performance of all obligations will be pursued diligently.

Article 12. Liability

12.1 **NO WARRANTIES**. EXCEPT AS SPECIFICALLY STATED IN ARTICLE 9, THE PARTIES MAKE NO EXPRESS OR IMPLIED WARRANTY AS TO ANY MATTER WHATSOEVER, INCLUDING THE CONDITIONS OF THE RESEARCH OR ANY INVENTION OR MATERIAL, WHETHER TANGIBLE OR INTANGIBLE, MADE OR DEVELOPED UNDER OR OUTSIDE THE SCOPE OF THIS CRADA, OR THE OWNERSHIP, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE RESEARCH OR ANY INVENTION OR MATERIAL, OR THAT A TECHNOLOGY UTILIZED BY A PARTY IN THE PERFORMANCE OF THE RESEARCH PLAN DOES NOT INFRINGE ANY THIRD-PARTY PATENT RIGHTS.

12.2 Indemnification and Liability. Collaborator agrees to hold the Government harmless and to indemnify the Government for all liabilities, demands, damages, expenses and losses arising out of the use by Collaborator for any purpose of the CRADA Data, CRADA Materials or CRADA Subject Inventions produced in whole or part by ICD employees under this CRADA, unless due to the negligence or willful misconduct of ICD, its employees, or agents. The Government has no statutory authority to indemnify Collaborator. Each Party otherwise will be liable for any claims or damages it incurs in connection with this CRADA, except that ICD, as an agency of the Government, assumes liability only to the extent provided under the Federal Tort Claims Act , 28 U.S.C. Chapter 171.

12.3 ***Force Majeure***. Neither Party will be liable for any unforeseeable event beyond its reasonable control and not caused by its own fault or negligence, which causes the Party to be unable to perform its obligations under this CRADA, and which it has been unable to overcome by the exercise of due diligence. If a *force majeure* event occurs, the Party unable to perform will promptly notify the other Party. It will use its best efforts to resume performance as quickly as possible and will suspend performance only for such period of time as is necessary as a result of the *force majeure* event.

Article 13. Miscellaneous

13.1 **Governing Law**. The construction, validity, performance and effect of this CRADA will be governed by U.S. federal law, as applied by the federal courts in the District of Columbia. If any provision in this CRADA conflicts with or is inconsistent with any U.S. federal law or regulation, then the U.S. federal law or regulation will preempt that provision.

13.2 **Compliance with Law**. ICD and Collaborator agree that they will comply with, and advise any contractors, grantees, or agents they have engaged to conduct the CRADA research and development activities to comply with, all applicable Executive Orders, statutes, and HHS regulations relating to research on human subjects (45 C.F.R. Part 46, 21 C.F.R. Parts 50 and 56) and relating to the appropriate care and use of laboratory animals (7 U.S.C. § 2131 *et seq.;* 9 C.F.R. Part 1, Subchapter A). ICD and Collaborator will advise any contractors, grantees, or agents they have engaged to conduct clinical trials for this CRADA that they must comply with all applicable federal regulations for the protection of Human Subjects, which may include the Standards for Privacy of Individually Identifiable Health Information set forth in 45 C.F.R. Part 164. Collaborator agrees to ensure that its employees, contractors, and agents who might have access to a “select agent or toxin” (as that term is defined in 42 C.F.R. §§ 73.4-73.5) transferred from ICD is properly licensed to receive the “select agent or toxin”.

13.3 **Waivers**. None of the provisions of this CRADA will be considered waived by any Party unless a waiver is given in writing to the other Party. The failure of a Party to insist upon strict performance of any of the terms and conditions hereof, or failure or delay to exercise any rights provided herein or by law, will not be deemed a waiver of any rights of any Party.

13.4 **Headings**. Titles and headings of the articles and paragraphs of this CRADA are for convenient reference only, do not form a part of this CRADA, and will in no way affect its interpretation.

13.5 **Severability**. The illegality or invalidity of any provisions of this CRADA will not impair, affect, or invalidate the other provisions of this CRADA.

13.6 **Amendments**. Minor modifications to the Research Plan may be made by the mutual written consent of the CRADA Principal Investigators. Substantial changes to the CRADA, extensions of the term, or any changes to Appendix C will become effective only upon a written amendment signed by the signatories to this CRADA or by their representatives duly authorized to execute an amendment. A change will be considered substantial if it directly expands the range of the potential CRADA Subject Inventions, alters the scope or field of any license option governed by Article 7, or requires a significant increase in the contribution of resources by either Party.

13.7 **Assignment**. Neither this CRADA nor any rights or obligations of any Party hereunder

shall be assigned or otherwise transferred by either Party without the prior written consent of the other Party. The Collaborator acknowledges the applicability of 41 U.S.C. § 15, the Anti Assignment Act, to this Agreement. The Parties agree that the identity of the Collaborator is material to the performance of this CRADA and that the duties under this CRADA are nondelegable.

13.8 **Notices**. All notices pertaining to or required by this CRADA will be in writing, signed by an authorized representative of the notifying Party, and delivered by first class, registered, or certified mail, or by an express/overnight commercial delivery service, prepaid and properly addressed to the other Party at the address designated on the Contacts Information Page, or to any other address designated in writing by the other Party. Notices will be considered timely if received on or before the established deadline date or sent on or before the deadline date as verifiable by U.S. Postal Service postmark or dated receipt from a commercial carrier. Notices regarding the exercise of license options will be made pursuant to Paragraph 7.3. Either Party may change its address by notice given to the other Party in the manner set forth above.

13.9 **Independent Contractors**. The relationship of the Parties to this CRADA is that of independent contractors and not agents of each other or joint venturers or partners. Each Party will maintain sole and exclusive control over its personnel and operations.

13.10 **Use of Name; Press Releases**. By entering into this CRADA, the Government does not directly or indirectly endorse any product or service that is or will be provided, whether directly or indirectly related to either this CRADA or to any patent or other intellectual-property license or agreement that implements this CRADA by Collaborator, its successors, assignees, or licensees. Collaborator will not in any way state or imply that the Government or any of its organizational units or employees endorses any product or services. Each Party agrees to provide proposed press releases that reference or rely upon the work under this CRADA to the other Party for review and comment at least five (5) business days before publication. Either Party may disclose the Title and Abstract of the CRADA to the public without the approval of the other Party.

13.11 **Reasonable Consent**. Whenever a Party's consent or permission is required under this CRADA, its consent or permission will not be unreasonably withheld.

13.12 **Export Controls**. Collaborator agrees to comply with U.S. export law and regulations. If Collaborator has a need to transfer any CRADA Materials made in whole or in part by ICD, or ICD Materials, or ICD's Confidential Information to a person located in a country other than the United States, to an Affiliate organized under the laws of a country other than the United States, or to an employee of Collaborator in the United States who is not a citizen or permanent resident of the United States, Collaborator will acquire any and all necessary export licenses and other appropriate authorizations.

13.13 **Entire Agreement**. This CRADA constitutes the entire agreement between the Parties concerning the subject matter of this CRADA and supersedes any prior understanding or written or oral agreement.

13.14 **Survivability.** The provisions of Paragraphs 3.3, 3.4, 3.8, 4.2, 4.3, 5.3, 5.4, 6.1-9.2, 10.3-10.6, 11.1, 11.2, 12.1-12.3, 13.1-13.3, 13.7, 13.10 and 13.14 will survive the expiration or early termination of this CRADA.

SIGNATURES BEGIN ON THE NEXT PAGE

SIGNATURE PAGE

ACCEPTED AND AGREED

BY EXECUTING THIS AGREEMENT, EACH PARTY REPRESENTS THAT ALL STATEMENTS MADE HEREIN ARE TRUE, COMPLETE, AND ACCURATE TO THE BEST OF ITS KNOWLEDGE. COLLABORATOR ACKNOWLEDGES THAT IT MAY BE SUBJECT TO CRIMINAL, CIVIL, OR ADMINISTRATIVE PENALTIES FOR KNOWINGLY MAKING A FALSE, FICTITIOUS, OR FRAUDULENT STATEMENT OR CLAIM.

FOR ICD:

/s/ Alan S. Rabson, M.D. — 1/6/11
Alan S. Rabson, M.D. — Date
Deputy Director, NCI

FOR COLLABORATOR:

/s/ Bryan R. Leigh, M.D. — 1/28/11
Signature: — Date
Typed Name: Bryan R. Leigh, M.D.
Title: Chief Medical Officer
TRACON Pharmaceuticals

TRACON CONFIDENTIAL

CONTACTS INFORMATION PAGE

CRADA Notices

For ICD:

Director
Technology Transfer Center
National Cancer Institute
6120 Executive Blvd. Suite 450
Rockville, MD 20852
Tel: 301-496-0477
Fax: 301-402-2117

For Collaborator:

Frank Taffy
Tracon Pharmaceuticals, Inc.
4510 Executive Drive, Suite 330
San Diego, CA 92121
Tel: 858-550-0780
Fax: 858-550-0786

Patenting and Licensing

For ICD:

Division Director, Division of Technology Development and Transfer
6011 Executive Boulevard, Suite 325
Rockville, Maryland 20852-3804
Tel: 301-496-7057
Fax: 301-402-0220

For Collaborator (if separate from above):

Frank Taffy
Tracon Pharmaceuticals, Inc.
4510 Executive Drive, Suite 330
San Diego, CA 92121
Tel: 858-550-0780
Fax: 858-550-0786

Delivery of Materials Identified In Appendix B (if any)

For ICD:

Judith Starling
do Pharmaceutical Development Section
Building 10, Room 1D-35
10 Center Drive, MSC1196

For Collaborator:

Dr. Bryan Leigh, M.D.
Chief Medical Officer
Tracon Pharmaceuticals, Inc.
4150 Executive Drive, Suite 330

Bethesda, MD 20892-1196
Tel: 301-496-1031
Fax: 301-402-3268
Email: istarling@mail.nih.gov

San Diego, CA 92121
Tel: 858-550-0780 x-223
Fax: 858-550-0786

SUMMARY PAGE

EITHER PARTY MAY, WITHOUT FURTHER CONSULTATION OR PERMISSION, RELEASE THIS SUMMARY PAGE TO THE PUBLIC.

TITLE OF CRADA: Development of the Human Chimeric Monoclonal Antibody TRC105, an Angiogenesis Inhibitor Provided by Tracon Pharmaceuticals, Inc., for the Treatment of Cancer

PHS [ICD] Component:	National Cancer Institute
ICD CRADA Principal Investigator:	Robert H. Wiltrout, Ph.D.
Collaborator:	Tracon Pharmaceuticals, Inc.

Collaborator CRADA Principal Investigator: Bryan Leigh, M.D.

Term of CRADA:	Five (5) years from the Effective Date

ABSTRACT OF THE RESEARCH PLAN:

Under a Cooperative Research and Development Agreement, the Center for Cancer Research of National Cancer Institute (NCI) will collaborate with Tracon Pharmaceuticals, Inc. (Tracon) on the preclinical and clinical development of TRC105, a human chimeric monoclonal antibody from Tracon, for the treatment of certain types of cancer.

APPENDIX A

RESEARCH PLAN

TITLE OF CRADA
Development of the Human Chimeric Monoclonal Antibody TRC105, an Angiogenesis Inhibitor Provided by Tracon Pharmaceuticals, Inc., for the Treatment of Cancer

NCI, NIH Principal Investigator
Robert H. Wiltrout, Ph.D.
Director, Center for Cancer Research, NCI

Collaborator Principal Investigator
Bryan Leigh, M.D.
Chief Medical Officer

Term of CRADA
Five (5) years from the Effective Date.

GOAL OF THIS CRADA

The principal goal of this CRADA is to develop TRC105, a human chimeric monoclonal antibody supplied by Tracon Pharmaceuticals, Inc. (Tracon), as a cancer therapeutic agent. The subject of this CRADA including any preclinical and clinical testing conducted by NCI's Center for Cancer Research (CCR) is strictly limited to the development of TRC 105 for the treatment of cancer. To the knowledge of Tracon and NCI, the research conducted under this CRADA does not depend on any third party proprietary materials that are not commercially available unless specifically stated otherwise.

Health Research Inc. (Health Research) has granted a worldwide license to Tracon for the development and commercialization of TRC105. Health Research is a not-for-profit corporation. Health Research is not a Party to this CRADA.

The objectives of this CRADA will be divided into three parts:

Part I: […***…]

Part II: […***…]

[…***…]

Part III: Tracon will generate and supply the CCR with TRC105 in sufficient amounts and adequate purity for testing in mutually agreed upon phase I and phase II human clinical trials that will be conducted at the NIH.

INTRODUCTION

Tracon Pharmaceuticals, Inc. licenses, develops, and commercializes targeted therapies for cancer. Tracon is conducting a Phase 1 trial to assess the safety, tolerability, pharmacokinetics and preliminary anti-tumor activity of TRC105 in patients with advanced cancer.

Dr. Wiltrout and colleagues at the CCR have a range of expertise from basic physics and chemistry to biology and clinical applications. This includes knowledge of cancer prevention, angiogenesis, and etiological mechanisms of cancer as well as extensive experience with human clinical trials. Collectively, the CCR provides wide-ranging expertise and an experimental capacity to test novel compounds.

TRC105 transferred to the NCI under this CRADA will be distributed to specific CCR members under the direction of the CCR Director and CRADA Principal Investigator, Dr. Wiltrout. The CCR investigators involved in this CRADA will meet quarterly to discuss CRADA results, review specific projects, and design future experiments. During these meetings, the group will discuss which CCR investigators will receive TRC105 and how TRC105 will be tested.

Distribution of materials received under this CRADA will be monitored by Dr. Wiltrout using Material Transfer Agreements (MTAs). Prior to receiving the material, the recipient NCI investigator will complete a COI Form (Conflict of Interest Form) for approval by the NCI Ethics Office. A template MTA which may be used for intramural transfers of Tracon's proprietary materials under this CRADA is attached as Appendix D.

BACKGROUND

Angiogenesis is the fundamental process by which new blood vessels are formed. Studies have demonstrated an association between increasing microvessel density count, as a surrogate measure of angiogenesis, and metastasis in a range of solid tumors, including breast, lung, colorectal, bladder and prostate cancer. Increased microvessel density has also been correlated with poorer prognosis for several solid malignancies. Inhibition of angiogenesis, either as a stand-alone approach or in combination with chemotherapy, has demonstrated antitumor efficacy and there are several anti-angiogenic agents now in clinical trials.

The vast majority of anti-angiogenic agents currently being used in the clinical setting are based on strategies that: (1) interfere with pro-angiogenic ligands; or (2) block signaling of proangiogenic tyrosine kinase receptors. An alternative anti-angiogenic approach is the direct targeting of the proliferating endothelial cell, a major component of the tumor vasculature. CD105 (endoglin) is a 180 kDa homodimeric transmembrane protein over-expressed on the

surface of proliferating vascular endothelial cells. The CD 105 pathway is essential for angiogenesis during fetal development and cell-surface expression of this molecule is required for the formation of new blood vessels. Additionally, CD105 also regulates components of the extracellular matrix to facilitate endothelial cell migration and promote formation of neo-vessels.

Immunohistochemistry has shown that CD105 is strongly expressed in blood vessels of multiple tumor tissues. Intratumoral microvessel density (MVD), as assessed by anti-CD105 antibodies, has been found to be an independent prognostic indicator and increased MVD correlates with shorter survival across more than 10 solid tumor types, including breast, colorectal, lung and prostate cancers. CD105 is shed into the circulation with elevated levels detected in patients with various types of malignancy. Anti-VEGF (Vascular Endothelial Growth Factor) therapy, such as bevacizumab, up-regulates CD105 expression, indicating that a therapeutic strategy that targets CD 105 may complement VEGF-inhibition.

TRC105 is a human/murine chimeric IgG1 kappa monoclonal antibody that binds with high affinity to human CD105, thus inhibiting angiogenesis and tumor growth. Pre-clinical studies have demonstrated the safety and anti-tumor activity of TRC105 in multiple tumor types as monotherapy and in combination with cytotoxic chemotherapy. CCR is interested in further evaluating the preclinical and clinical efficacy of TRC105 in various cancers. […***…]

WORK SCOPE

Part I: […***…]

Part II: […***…]

[…***…]

Part III: Tracon will generate and supply the CCR with TRC105 in sufficient amounts and adequate purity for testing in mutually agreed upon phase I and phase II human clinical trials using TRC105 either alone or in combination with other agents or different treatment modalities. […***…]

[…***…]

CONTRIBUTIONS AND RESPONSIBILITIES OF THE PARTIES

Tracon Pharmaceuticals, Inc.

· […***…]

Center for Cancer Research, NCI

· […***…]

[…***…]

Tracon Pharmaceuticals, Inc. and the Center for Cancer Research, NCI

· […***…]

RELATED INTELLECTUAL PROPERTY
AND
RELATED AGREEMENTS OF THE PARTIES

There are currently no active Cooperative Research and Development Agreements (CRADAs), Clinical Trial Agreements (CTAs), Confidential Disclosure Agreements (CDAs) or Material Transfer Agreements (MTAs) between Tracon and NCI related to this CRADA.

The Parties acknowledge, however, that there is an active Cooperative Research and Development Agreement (CRADA) between Tracon and NCI for TRC105: CRADA #02467-08 entitled “Development of the Human Chimeric Monoclonal Antibody TRC 105, an Angiogenesis Inhibitor Provided by Tracon Pharmaceuticals, Inc., for the Treatment of Prostate Cancer” executed on October 14, 2009. The Parties agree that the work under the Research Plan of CRADA #02467 and that under the Research Plan of this CRADA #02661 are separate.

Patents and Patent Applications Owned or Exclusively Licensed to Tracon:

Tracon Pharmaceuticals, Inc. has exclusively licensed the following issued patents or patent applications from Health Research. Health Research is not a Party to this CRADA. Tracon has stated that their license with Health Research will not create any obligations for the NIH to Health Research.

Issued Patents:

[…***…]

[…***…]

Patents Pending:

[…***…]

Patents and Patent Applications Owned by NCI:
None.

APPENDIX B

STAFFING, FUNDING AND MATERIALS/EQUIPMENT CONTRIBUTIONS OF THE PARTIES

Staffing Contributions:

ICD will provide sufficient scientific staff and other support necessary to conduct the research and other activities described in the Research Plan. ICD's scientific staff will include ICD's Principal Investigator, members of the Center for Cancer Research and technical staff.

ICD estimates that 2.5 person-years of effort per year will be required to complete the CRADA research. It is understood that no ICD employee will dedicate 100% of their effort to perform the work under the Research Plan, and ICD employees performing CRADA research will be free to participate in other projects and interactions typically found within the laboratory.

Collaborator will provide sufficient scientific staff and other support necessary to conduct the research and other activities described in the Research Plan. Collaborator's scientific staff will include Collaborator's Principal Investigator and technical staff.

Collaborator estimates that 1.0 person-years of effort per year will be required to complete the CRADA research.

Funding Contributions:

ICD will provide no funding to Collaborator for collaborative research and development pursuant to this CRADA, inasmuch as financial contributions by the U.S. government to non-Federal parties under a CRADA is prohibited under the Federal Technology Transfer Act of 1986 (15 U.S.C.§ 3710a(d)(1)).

Collaborator agrees to provide funds in the amount of $5,000.00 per year of the CRADA for ICD to use to acquire technical, statistical, and administrative support for the research activities. Collaborator will provide funds in equal annual installments. The first payment of $5,000.00 will be due within thirty (30) days of the Effective Date. Each subsequent installment will be due within thirty (30) days of each anniversary of the

Effective Date. Collaborator agrees that ICD can allocate the funding between the various categories in support of the CRADA research as ICD's PI sees fit.

Collaborator agrees to provide up to $5,000.00 per year for transportation and associated costs to support the participation of CCR staff at selected scientific or development meetings, where such participation will substantially foster development of Test Article, Travel costs are limited by the Federal Travel Rules and Regulations for all government staff whether paid for by government funds or private Collaborators. Collaborator may provide direct support, under the 348 travel mechanism, for the travel and lodging costs for attendance of NCI staff at selected scientific or development meetings. Both Collaborator and NCI must agree that the activities would be appropriate under this CRADA and acceptance of Collaborator's support of NCI's

participation in the activities will be contingent upon appropriate NCI approval. Travel costs for such travel are also limited by the Federal Travel Rules and Regulations for all government staff whether paid for by government funds or CRADA Collaborators.

[…***…] for mutually agreed upon animal studies. Collaborator may provide up to $[…***…] per mutually agreed upon animal study during the term of the CRADA to supplement the CCR for costs and other reasonable and necessary expenses incurred by NCI in carrying out its responsibilities under this CRADA. Collaborator's funding to support the mutually agreed upon animal studies will be up to a maximum of $[…***…] per year for the term of the CRADA.

Any additional funding will not be added to this CRADA without an appropriate written executed amendment pursuant to Article 13.6.

CRADA PAYMENTS:

Collaborator will make checks payable to the National Cancer Institute, will reference the CRADA number and title (CRADA #02661 entitled "Development of the Human Chimeric Monoclonal Antibody TRC105, an Angiogenesis Inhibitor Provided by Tracon Pharmaceuticals, Inc., for the Treatment of Cancer") on each check, and will send them via trackable mail or courier to:

CRADA Funds Coordinator
Technology Transfer Center
National Cancer Institute
6120 Executive Blvd., Suite 450
Rockville, MD 20852-7181

Materials Contribution:

ICD will provide the following ICD Materials for use under this CRADA: None.

Collaborator will provide the following Collaborator Materials and/or capital equipment for use under this CRADA:

Collaborator Materials: None. Capital Equipment: None.

If either Party decides to provide additional Materials for use under this CRADA, those Materials will be transferred under a cover letter that identifies them and states that they are being provided under the terms of the CRADA.

Collaborator will provide the following Test Article for use under this CRADA:

TRC105 (a human/murine chimeric IgG1 kappa monoclonal antibody against human CD105)

***Confidential Treatment Requested

Appendix C

Exceptions or Modifications to this CRADA

Additions and deletions within Articles of the intramural clinical trial CRADA appear as underline and strikeout, respectively.

Article 1 is modified to read as follows:

Article 1. Introduction

This CRADA between ICD and Collaborator will be effective when signed by the Parties, which are identified on both the Cover Page and the Signature Page (page 21). The official contacts for the Parties are identified on the Contacts Information Page (page 22). Publicly available information regarding this CRADA appears on the Summary Page (page 23). The research and development activities that will be undertaken by ICD and Collaborator in the course of this CRADA are detailed in the Research Plan, attached as Appendix A. The staffing, funding, and materials contributions of the Parties are set forth in Appendix B. Any changes to the model CRADA are set forth in Appendix C. A material transfer agreement template that may be used for ICD intramural transfers of Test Article under this CRADA is set forth as Appendix D.

Article 2 is modified to add the follows:

"Multi-Party Data" means clinical data from clinical studies sponsored by ICD pursuant to clinical trial agreements (CTAs) or CRADAs, where such data are collected under protocols involving combinations of investigational agents from more than one CTA collaborator or CRADA collaborator.

Article 3.1 is modified to read as follows:

3.1 **Performance of Research and Development**. The research and development activities to be carried out under this CRADA will be performed solely by the Parties identified on the Cover Page, unless specifically stated elsewhere in the Agreement. The CRADA PIs will be responsible for coordinating the scientific and technical conduct of this project on behalf of their employers. Any Collaborator employees who will work at ICD facilities will be required to sign a Guest Researcher or Special Volunteer Agreement appropriately modified in view of the terms of this CRADA. Confidential Information will only be communicated by a Party to employees or individuals working on behalf of that Party who have a need for the Confidential Information in connection with the research and development activities to be carried out under this CRADA and who are under an obligation of confidentiality no less restrictive than in this Agreement.

Article 3.2 is modified to read as follows:

3.2 **Research Plan**. The Parties recognize that the Research Plan describes the collaborative research and development activities they will undertake and that interim research goals

set forth in the Research Plan are good faith guidelines. Should events occur that require modification of these goals, then by mutual agreement the Parties can modify them through ~~an~~ a written amendment duly executed by both Parties, according to Paragraph 13.6.

Article 3.11 is modified to read as follows:

3.11 **FDA Meetings/Communications**. All meetings with the FDA concerning any clinical trial within the scope of the Research Plan will be discussed by Collaborator and ICD in advance. Each Party reserves the right to take part in setting the agenda for, to attend, and to participate in these meetings. ICD will provide Collaborator with copies of FDA meeting minutes, all transmittal letters for IND submissions, IND safety reports, formal questions and responses that have been submitted to the FDA, Annual Reports, and official FDA correspondence, pertaining either to the INDs under this CRADA or to the Clinical Investigators on Protocols performed in accordance with the Research Plan, except to the extent that those documents contain the proprietary information of a third party in which case ICD shall redact those portions of Confidential Information proprietary to a third party, or dissemination is prohibited by law.

A new **Article 3.12** is added as follows:

3.12 **Third-Party Contractors**. Both Parties acknowledge and agree that ICD's Operations and Technical Support (OTS) contractor may conduct part of the Research Plan for ICD. The OTS contractor is subject to a Determination of Exceptional Circumstances (35 U.S.C. § 202(a)(ii)) under the Bayh-Dole Act, which obligates it to assign Inventions made by its employees to the United States Government.

Article 7.2 is modified to read as follows:

7.2 **Collaborator's License Option to CRADA Subject Inventions**. With respect to Government rights to any CRADA Subject Invention made solely by an ICD employee(s) or made jointly by an ICD employee(s) and a Collaborator employee(s) for which a Patent Application was filed, PHS hereby grants to Collaborator an exclusive option to elect an exclusive, or if applicable a co-exclusive, or nonexclusive commercialization license. The option to elect a co-exclusive license shall apply when a CRADA Subject Invention is also a CRADA Subject Invention under another CRADA resulting from mutually agreed upon studies as described in Article 8.8 and the field of use of this co-exclusive license shall be to the use of the combination of the Test Article with another agent(s) commensurate with the scope of the Research Plan. ~~The~~ Any license granted under this Paragraph 7.2 will be substantially in the form of the appropriate model PHS license agreement and will fairly reflect the nature of the CRADA Subject Invention, the relative contributions of the Parties to the CRADA Subject Invention and the CRADA, a plan for the development and marketing of the CRADA Subject Invention, the risks incurred by Collaborator, and the costs of subsequent research and development needed

to bring the CRADA Subject Invention to the marketplace. The field of use of the license will not exceed the scope of the Research Plan.

Article 7.6 is modified to read as follows:

7.6 **Third Party License.** Pursuant to 15 U.S.C. § 3710a(b)(1)(B), if PHS grants Collaborator an exclusive, or if applicable a co-exclusive, license to a CRADA Subject Invention made solely by an ICD employee or jointly with a Collaborator employee, the Government will retain the right to require Collaborator to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive sublicense to use the CRADA Subject Invention in Collaborator's licensed field of use on terms that are reasonable under the circumstances; or, if Collaborator fails to grant a license, to grant a license itself. The exercise of these rights by the Government will only be in exceptional circumstances and only if the Government determines (i) the action **is** necessary to meet health or safety needs that are not reasonably satisfied by Collaborator, (ii) the action is necessary to meet requirements for public use specified by federal regulations, and such requirements are not reasonably satisfied by Collaborator; or (iii) Collaborator has failed to comply with an agreement containing provisions described in 15 U.S.C. § 3710a(c)(4)(B). The determination made by the Government under this Paragraph is subject to administrative appeal and judicial review under 35 U.S.C. § 203(b).

The First Paragraph of **Article 8.2** is modified to read as follows:

8.2 **Use of CRADA Data and CRADA Materials.** The Parties will be free to utilize CRADA Data and CRADA Materials internally for their own purposes, consistent with their obligations under this CRADA. The Parties may share CRADA Data or CRADA Materials with their Affiliates, agents or contractors provided the obligations of this Article 8.2 are simultaneously conveyed, and all such Affiliates, agents, and contractors are bound by obligations of confidentiality at least as stringent as those in this CRADA.

Article 8.4 is modified to read as follows:

8.4 **Protection of Confidential Information.** Confidential Information will not be disclosed, copied, reproduced or otherwise made available to any other person or entity without the consent of the owning or providing Party except the receiving Party's Affiliates, agents or contractors, provided such Affiliates, agents or contractors are subject to obligations of confidentiality at least as stringent as those in this CRADA or except as required by a court or administrative body of competent jurisdiction, or federal law or regulation. Each Party agrees to use reasonable efforts to maintain the confidentiality of Confidential Information, which will in no instance be less effort than the Party uses to protect its own Confidential Information. Each Party agrees that a Party receiving Confidential Information will not be liable for the disclosure of that portion of the Confidential Information which, after notice to and consultation with the disclosing Party, the receiving Party determines may not be lawfully withheld, provided the disclosing Party has been given a reasonable opportunity to seek a court order to enjoin disclosure.

Article 8.6 is modified to read as follows:

8.6 **Duration of Confidentiality Obligation**. The obligation to maintain the confidentiality of Confidential Information will expire at the earlier of the date when the information is no longer Confidential Information as defined in Article 2 or […***…] years after the expiration or termination date of this CRADA, except for IPI, for which the obligation to maintain confidentiality will extend indefinitely. Collaborator may request an extension to this term when necessary to protect Confidential Information relating to products not yet commercialized.

A new **Article 8.8** is added as follows:

8.8 **Multi-Party Data Rights.** For clinical protocol(s) in which Test Article will be used in combination with other investigational material(s) supplied to ICD under a separate agreement by an entity that is not a Party to this CRADA [hereinafter referred to as "Third Party"], the access and use of Multi-Party Data by Collaborator and Third Party will be co-exclusive as follows:

(a) ICD will provide both Collaborator and Third Party with notice regarding the existence and nature of the agreements governing their collaborations with ICD, the design of the proposed combination protocol(s) and the existence of any obligations that might restrict ICD's participation in the proposed combination protocols.

(b) Collaborator will permit use of the Multi-Party Data from these trials by Third Party to the extent necessary to allow Third Party to develop, obtain regulatory approval for, or commercialize its own investigational material(s). However this provision will not apply unless Third Party also agrees to Collaborator's reciprocal use of Multi-Party Data.

(c) Collaborator and Third Party must agree in writing prior to the commencement of the combination trials that each will use the Multi-Party Data solely for the development, regulatory approval, and commercialization of its own investigational material(s).

Article 10.6 is modified to read as follows:

10.6 **Collaborator Failure to Continue Development.** If Collaborator suspends development of the Test Article without the transfer of its active development efforts, assets, and obligations to a third party within […***…] days of discontinuation, Collaborator agrees that ICD may

continue developing the Test Article only to the extent necessary to complete the work outlined in the Appendix A, Research Plan. In that event, the following will apply:

10.6.1 Collaborator agrees to transfer to ICD all information necessary to enable ICD to contract for the manufacture of the Test Article so as to complete the work outlined in the Appendix A, Research Plan and, unless abandoned for reasons relating to safety as determined by the data safety monitoring board, to provide the Test Article (and Placebo, if any) in Collaborator's inventory to ICD.

10.6.2 Further, Collaborator hereby grants to ICD a nonexclusive, irrevocable, world-wide, paid-up license to practice, or have practiced for or on behalf of the Government, any Background Invention that Collaborator may currently have or will obtain on the Test Article, its manufacture, or on any method of using the Test Article for the indication(s) described in the Research Plan, solely for purposes of completing the Appendix A, Research Plan. ~~including the right to sublicense to third parties.~~ ICD shall have no right to sublicense such Background Invention to any third party without the prior written consent of Collaborator.

APPENDIX D
(Intramural Material Transfer Agreement for distribution of Test Articles to NCI's Center for Cancer Research)

Department of Health & Human Services Public Health Service

Phone: (301) 496-0477
Fax: (301) 402-2117

National Institutes of Health
National Cancer Institute
Technology Transfer Center
Executive Plaza South, Suite 450
6120 Executive Blvd.

DATE:

TO:

THROUGH: Dr. Robert Wiltrout
Director, Center for Cancer Research, NCI

FROM: Dr. Haiqing Li
Technology Transfer Specialist
Technology Transfer Center, NCI

SUBJECT: Intramural Material Transfer Agreement to NCI's Center for Cancer Research

NCI Investigator and all personnel working with the Test Article are aware of and agree to the obligations set forth below:

1. Test Article: TRC105. This agent is proprietary to Tracon Pharmaceuticals, Inc. ("Tracon") and is being supplied to xxxxxxxxx ("NCI Investigator") under CRADA #02661 with Tracon ("Collaborator"). Collaborator has agreed to allow the NCI's Center for Cancer Research to make Test Article available for the research project described in the attached Exhibit A ("Research Project").

2. In addition to TRC105, the Collaborator will supply the following commercially available compound for use in combination studies with TRC 105:
_____ (if "none", so state).

3. NCI will use the following third party agent for combination studies where NCI has a suitable agreement in place with the third party:
_____(if "none", so state).

4. Cancer indications being studied:

_____Bladder
_____Bone
_____Breast
_____Colon
_____Esophagus
_____Liver
_____Lung
_____Lymphoma
_____Pancreatic
_____Pediatric Indications
_____Ovarian Cancer
_____Other, specifically _____

5. NCI Investigator will receive a total of $_____ from the CRADA funds for this CRADA for the Research Project as follows:

Installment	Date	Amount
1		
2		
3		
…….		

6. TRC105 will be used solely for the Research Project described in Exhibit A and referred to in CRADA #02661 under the following category (check appropriate items):

(a) *Biochemical and Preclinical Analysis:*

[…***…]

(b) *Correlative Experiments to Explore Potential Monotherapy Utilities of Test Article:*

***Confidential Treatment Requested

[…***…]

(c) *Correlative Experiments to Enhance Radiotherapy, Chemotherapy and Other Targeted Therapies:*

[…***…]

(d) *Clinical Trials:*

Mutually agreeable phase I and phase II clinical trials will be performed in specific cancer indications (such as bladder cancer and hepatocellular carcinoma) using Test Article under an NCI, Tracon, or third party sponsored IND that cross-references the IND filed by Tracon. Combination studies of Test Article with third party or commercially available therapeutic agents (or treatment regimens such as radiation) will be conducted as mutually agreed upon. Clinical trials will be conducted at NIH as a sole site or conducted at NIH as part of a multi-site trial. All data in INDs will be shared between NCI and Tracon.

[…***…]

***Confidential Treatment Requested

[…***…]

7. The Test Article will only be used for research purposes as described in the Research Project (see attached Exhibit A) under suitable containment conditions. NCI Investigator agrees to retain control over this Test Article and further agrees not to transfer the Test Article to any other institution or to other people inside or outside of CCR who do not have an approved research plan and intramural MTA (based on this MTA template) in place signed by the NCI's Technology Transfer Center. When the Research Project is completed, the Test Article will be disposed of, unless directed otherwise by Collaborator. This Test Article will not be used for commercial purposes. NCI Investigator agrees to comply with all Federal rules and regulations applicable to the Research Project and the handling of the Test Article.

8. NC I Investigator agrees to treat in confidence, for a period of […***…] years from the date of termination or expiration of the CRADA, any written information about this Test Article that is stamped "CONFIDENTIAL", except for information that was previously known to NCI Investigator or that is or becomes publicly available or which is disclosed to NCI Investigator without a confidentiality obligation. NCI Investigator agrees to keep the results of the Research Project confidential until published or until corresponding patent applications are filed.

9. In all oral presentations or written publications concerning the Research Project, NCI Investigator will acknowledge Collaborator's contribution of the Test Article unless requested otherwise. NCI Investigator will provide the Director of the Center for Cancer Research, Dr. Robert Wiltrout, with written development reports regularly. Such development reports may be meeting minutes, annual reports, detailed correspondence, or circulated draft manuscripts. NCI Investigator may publish or otherwise publicly disclose the results of the Research Project; however, NCI Investigator will provide the proposed publication or disclosure to the Director of the Center for Cancer Research with sufficient time to allow him to review and forward the proposed publication or disclosure to Collaborator, whereupon Collaborator shall have at least thirty (30) days to review the NCI's proposed publication or disclosure. NCI or Collaborator may request in writing that the proposed publication or other disclosure be delayed for up to thirty (30) additional days as necessary to file a patent application. Copies of any manuscript and/or abstract should be sent to:

Dr. Haiqing Li
Technology Transfer Center, NCI
Executive Plaza South, Suite 450
Rockville, Maryland 20852-7181
Phone: 301-496-0477
Fax: 301-402-2117
Email: lihai@mail.nih.gov

_____(NCI Investigator initials): I will contact the NCI's Technology Transfer Center immediately if I believe an invention has occurred under this Research Project, prior to the completion of an Employee Invention Report.

***Confidential Treatment Requested

Agreed to by:

Date	NCI Investigator [name... title]
Date	Robert H. Wiltrout, Ph.D. Director, Center for Cancer Research, NCI
Date	Lisa D. Finkelstein, Ph.D. Supervisory Technology Transfer Specialist, TTC, NCI

Amendment #1

Cooperative Research and Development Agreement #02661

"Development of the Human Chimeric Monoclonal Antibody

TRC105, an Angiogenesis Inhibitor Provided by Tracon Pharmaceuticals, Inc., for the Treatment of Cancer”

The purpose of this amendment is to change certain terms of the above-referenced Cooperative Research and Development Agreement (CRADA). These changes are reflected below, and except for these changes, all other provisions of the original CRADA remain in full force and effect. Two originals of this amendment are provided for execution; one is to remain with the National Cancer Institute and the other is to remain with the Collaborator.

1) The following new definitions will be added to Article 2:
“Development Safety Update Report (DSUR)” means a common standard for periodic reporting on drugs under development among the International Conference of Harmonization (ICH) regions.

“Data Lock Point for DSUR” means the date (month and day) designated as the cut-off for data to be included in a DSUR and is based on the Development International Birth Date (DIBD).

2) The following language will be added to the end of Article 4.5 Annual Reports:
In the event that the Collaborator and ICD decide to collaborate on the preparation of a single DSUR to satisfy the requirements for submission of IND Annual Reports, the Development International Birth Date (DIBD) for Test Article will be the 6th day of December. The Data Lock Point for DSUR will be the last day of the one-year reporting period (the 5th day of December). ICD will provide the necessary clinical and/or nonclinical data (not to include any IPI) to enable preparation of the DSUR to Collaborator within one week of the Data Lock Point for DSUR. Any information on potentially important safety findings that arise after the Data Lock Point for DSUR while the DSUR is in preparation should be provided to Collaborator as soon as feasible. Collaborator will prepare the DSUR each year and will provide a draft version to ICD for review prior to submission. ICD will have one week to review and provide comments to Collaborator. Collaborator will submit the DSUR no later than 60 calendar days after the Data Lock Point for DSUR. Collaborator will provide a copy of the final DSUR to ICD.

Signatures appear on the following page

ACCEPTED AND AGREED TO:

For the National Cancer Institute

/s/ James H. Doroshow, M.D. 2/26/13
James H. Doroshow, M.D. Date
Deputy Director for Clinical and Translational Research, NCI

For Collaborator:

/s/ Charles Theuer, M.D., Ph.D. 12 March 2013
Name: Date
Title:

PUBLIC HEALTH SERVICE

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT FOR NCI DIVISION OF CANCER TREATMENT AND DIAGNOSIS (DCTD) EXTRAMURAL PHS CLINICAL RESEARCH

This Agreement is based on the model Cooperative Research and Development Agreement ("CRADA") adopted on December 8, 2010 by the U.S. Public Health Service ("PHS") Technology Transfer Policy Board for use by components of the National Institutes of Health ("NIH"), the Centers for Disease Control and Prevention ("CDC"), and the Food and Drug Administration ("FDA"), which are agencies of the PHS within the Department of Health and Human Services ("HHS").

This Cover Page identifies the Parties to this CRADA:

The U.S. Department of Health and Human Services, as represented by
National Cancer Institute
an Institute or Center (hereinafter referred to as the "IC") of the
National Institutes of Health

and

TRACON Pharmaceuticals, Inc.,
hereinafter referred to as the "Collaborator,"
having offices at **8910 University Center Lane, Suite 700,**
created and operating under the laws of **State of Delaware.**

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT FOR EXTRAMURAL-PHS CLINICAL RESEARCH

Article 1. Introduction

This CRADA between IC and Collaborator will be effective when signed by the Parties, which are identified on both the Cover Page and the Signature Page (page 30). The official contacts for the Parties are identified on the Contacts Information Page (pages 31-32). Publicly available information regarding this CRADA appears on the Summary Page (page 33). The research and development activities that will be undertaken by IC, IC's contractors or grantees, and Collaborator in the course of this CRADA are detailed in the Research Plan, attached as Appendix A. The staffing, funding, and materials contributions of the Parties are attached as Appendix B. An example of typical terms for a MTA for the transfer of Investigational Agent from NCI to NCI Extramural Investigators is attached as Appendix C. For this Agreement, IC means National Cancer Institute (NCI). Since CTEP and DCTD (defined below) within the NCI are responsible for the Research Plan, IC, NCI, DCTD and CTEP may be used interchangeably in this Agreement when a specific program is responsible for an activity.

Article 2. Definitions

The terms listed in this Article will carry the meanings indicated throughout the CRADA. To the extent a definition of a term as provided in this Article is inconsistent with a corresponding definition in the applicable sections of either the United States Code (U.S.C.) or the Code of Federal Regulations (C.F.R.), the definition in the U.S.C. or C.F.R. will control.

"Adverse Event" or **"AE"** means any untoward medical occurrence associated with the use of a drug in humans, whether or not considered drug related, as defined under 21 C.F.R § 312.32. See also FDA Good Clinical Practice Guideline (International Conference on Harmonisation (ICH) E6: "Good Clinical Practice: Consolidated Guidance, 62 Federal Register 25, 691 (1997)).

"Affiliate" means any corporation or other business entity controlled by, controlling, or under common control with Collaborator at any time during the term of the CRADA. For this purpose, "control" means direct or indirect beneficial ownership of at least fifty percent (50%) of the voting stock or at least fifty percent (50%) interest in the income of the corporation or other business entity.

"Annual Report" means the report of progress of an IND-associated investigation that the Sponsor must submit to the FDA within sixty (60) days of the anniversary of the effective date of the IND (pursuant to 21 C.F.R. § 312.33).

"Background Invention" means an Invention conceived and first actually reduced to practice before the Effective Date.

"Biomarker" means a biological marker that can be used to guide therapeutic administration of a drug including but not limited to: (i) to predict whether or not a patient is likely to be sensitive or resistant to treatment with a certain therapeutic agent; or (ii) to guide any aspect of clinical practice (e.g. dosing, safety, efficacy and response).

"Clinical Investigator" means, in accordance with 21 C.F.R. § 312.3, an individual who actually conducts a clinical investigation, that is, who directs the administration or dispensation of. Investigational Agent to a subject, and who assumes responsibility for studying Human Subjects, for recording and ensuring the integrity of research data, and for protecting the welfare and safety of Human Subjects.

"Clinical Research Site(s)" means the site(s) at which the Protocol(s) described in the Research Plan will be performed.

"Collaborator Materials" means all tangible materials not first produced in the performance of this CRADA that are owned or controlled by Collaborator and used in the performance of the Research Plan. The term "Collaborator Materials" does not include "Investigational Agent" (defined below).

"Confidential Information" means confidential scientific, business, financial information, or Identifiable Private Information provided that Confidential Information does not include:

(a) information that is publicly known or that is available from public sources;
(b) information that has been made available by its owner to others without a confidentiality obligation;
(c) information that is already known by the receiving Party, or information that is independently created or compiled by the receiving Party without reference to or use of the provided information; or
(d) information that relates to potential hazards or cautionary warnings associated with the production, handling, or use of the Investigational Agent.

"Contract" means a Funding Agreement that is a mechanism that provides that the contractor perform for the benefit of the Government, with an expectation of completion of the stated research goals and the delivery of a report, data, materials or other product. Generally, Contracts are administered under the Federal Acquisition Regulations (FAR) codified at Title 48 C.F.R., Chapter 1 or the Health Services Acquisition Regulations (HSAR) codified at Title 48 C.F.R., Chapter 3.

"Cooperative Agreement" means a Funding Agreement that is a species of a Grant, whereby the funding Federal agency intends to be substantially involved in carrying out the research program.

"Cooperative Research and Development Agreement" or **"CRADA"** means an agreement, entered into pursuant to the Federal Technology Transfer Act of 1986, as amended (15 U.S.C. §§ 3710a *et seq.*), and Executive Order 12591 of April 10, 1987.

"CRADA Collaborator Principal Investigator(s)" or **"CRADA Collaborator PI(s)"** means the person(s) who will be responsible for the scientific and technical conduct of the Research Plan on behalf of the CRADA Collaborator.

"CRADA Data" means information developed by or on behalf of the Parties in the performance of the Research Plan, excluding Raw Data.

"CRADA Materials" means all tangible materials first produced in the performance of the Research Plan other than CRADA Data, Collaborator Materials or Investigational Agent. CRADA Materials do not include specimens collected from Human Subjects.

"CRADA Subject Invention" means any Invention of either or both Parties, conceived or first actually reduced to practice in the performance of the Research Plan.

"CTA" means Clinical Trial Agreement.

"CTEP" means the Cancer Therapy Evaluation Program, DCTD, NCI, a program within NCI that plans, assesses and coordinates all aspects of clinical trials including extramural clinical research programs, internal resources, treatment methods and effectiveness, and compilation and exchange of data.

"DCTD" means Division of Cancer Treatment and Diagnosis, NCI.

"DCTD Clinical Support Assays" or "DCTD CSA" means assays aimed at enhancing the understanding of the mechanism of action of Investigational Agent and its targets and optimizing DCTD's clinical development program. DCTD's work may include such activities as the development of assays to detect target modulation, biomarker studies, and pharmacodynamic analyses performed in conjunction with the NCI-sponsored clinical studies. These studies will be performed by DCTD employees and contractors who are obligated to assign any

and all intellectual property to PHS. Although DCTD Clinical Support Assays are non-clinical in nature, for the purpose of this CRADA they are treated separately from Non-Clinical Studies (defined below) as the approval process and oversight for DCTD Clinical Support Assays and Non-Clinical Studies are different.

"Drug Master File" or **"DMF"** is described in 21 C.F.R. Part 314.420. A DMF is a submission to the FDA that may be used to provide confidential detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging, and storing of one or more human drugs.

"Effective Date" means the date of the last signature of the Parties executing this

Agreement.

"Funding Agreement" means a Contract, Grant, or Cooperative Agreement entered into between a Federal agency and another party for the performance of experimental, developmental or research work funded in whole or in part by the Federal Government.

"Government" means the Government of the United States of America.

"Grant" means a Funding Agreement that is an award of financial assistance that may be provided for support of basic research in a specific field of interest to the funding Federal agency.

"Human Subject" means, in accordance with the definition in 45 C.F.R. § 46.102(f), a living individual about whom an investigator conducting research obtains:

(a) data through intervention or interaction with the individual; or
(b) Identifiable Private Information.

"IC Materials" means all tangible materials not first produced in the performance of this CRADA that are owned or controlled by IC and used in the performance of the Research Plan.

"Identifiable Private Information" or **"IPI"** about a Human Subject means private information from which the identity of the subject is or may readily be ascertained. Regulations defining and governing this information include 45 C.F.R. Part 46 and 21 C.F.R. Part 50.

"IND" means an **"Investigational New Drug Application,"** filed in accordance with 21 C.F.R. Part 312 under which clinical investigation of an experimental drug or biologic (Investigational Agent) is performed in Human Subjects in the United States or intended to support a United States licensing action.

"Institutional Review Board" or **"IRB"** means, in accordance with 45 C.F.R. Part 46, 21 C.F.R. part 56, and other applicable regulations, an independent body comprising medical, scientific, and nonscientific members, whose responsibility is to ensure the protection of the rights, safety, and well-being of the Human Subjects involved in a study.

"Invention" means any invention or discovery that is or may be patentable or otherwise protected under Title 35 of the United States Code, or any novel variety of plant which is or may be protectable under the Plant Variety Protection Act, 7 U.S.C. §§ 2321 *et seq*.

"Investigational Agent" or Investigational New Drug means, in accordance with the definition in 21 C.F.R. § 312.3, a new drug or biological drug that is used in a clinical

investigation. For this Agreement, Investigational Agent means TRC102 provided by or on behalf of Collaborator. For materials provided by the NCI, Investigational Agent shall mean TRC102 provided by NCI for conduct of studies under this CRADA.

"Investigator's Brochure" means, in accordance with the definition in 21 C.F.R. § 312.23(a)(5), a document containing information about the Investigational Agent, including animal screening, preclinical toxicology, and detailed pharmaceutical data, including a description of possible risks and side effects to be anticipated on the basis of prior experience with the drug or related drugs, and precautions, such as additional monitoring, to be taken as part of the investigational use of the drug.

"MTA" means a Material Transfer Agreement.

"Multi-Party Data" means data from studies sponsored by NCI pursuant to CTAs or CRADAs, where such data are collected under Protocols and Non-Clinical Studies involving combinations of investigational agents supplied from more than one CTA or CRADA collaborator.

"NCI Extramural Investigator" means an investigator who is not an NCI employee and who is supported by NCI Funding Agreements as well as all personnel assisting the investigator in the performance of research under this CRADA.

"NCI Intramural Investigator" means an investigator who is an NCI employee. as well as all personnel assisting the investigator in the performance of research under this CRADA.

"NCI Investigator" includes any of NCI Intramural Investigator, NCI Extramural Investigator, Non-Clinical Investigator or an investigator who conducts the DCTD Clinical Support Assays.

"NIH CRADA Extramural Investigator/Officer(s)" means the extramural staff who are responsible for the conduct and/or management of the CRADA on behalf of the NIH IC. In the case of this CRADA, the NIH CRADA Extramural Investigator is Dr. Alice Chen and the NIH CRADA Extramural Officer is Dr. Jeffrey Abrams.

"Non-Clinical Investigator" means any individual who conducts, directs, or assumes responsibility for Non-Clinical Studies as well as all personnel assisting the investigator in the performance of research under this CRADA. Non-Clinical Investigators will include NCI Intramural and Extramural Investigators.

"Non-Clinical Studies" means exploratory *in vitro*, *in vivo*, and *ex vivo* studies using defined biological models including cell lines, xenograft models, circulating tumor cells, normal tissue, blood and any of its components and shall include ancillary correlative studies, proof-of-mechanism and proof-of-principle assays, development of imaging

techniques, and evaluation of target linkage. Non-Clinical Studies may include studies using human materials derived from clinical trials (such as primary, metastatic, or circulating tumor cells, normal tissue, blood, and any of its components). This defined term shall be limited to studies under this CRADA. Non-Clinical Studies can be performed by Clinical Investigators or Non-Clinical Investigators. Non-Clinical Studies under this CRADA shall not include DCTD Clinical Support Assays.

"Patent" means any issued United States patent, any international counterpart(s), and any corresponding grant(s) by a non-U.S. government in place of a patent.

"Patent Application" means an application for patent protection for a CRADA Subject Invention with the United States Patent and Trademark Office ("U.S.P.T.O.") or the corresponding patent-issuing authority of another nation.

"Placebo" means an inactive substance identical in appearance to the material being tested that is used to distinguish between drug action and suggestive effect of the material under study.

"Project Team" means the NCI and Collaborator scientific members who will be assembled for the purpose of discussing the DCTD Clinical Support Assays. This Project Team will be a collaborative body to approve projects described under "Respective Contributions of the Parties" of Appendix A of this CRADA that outlines the DCTD Clinical Support Assays.

"Protocol" means the clinical investigation in which a drug is administered or dispensed to, or used involving, one or more human subjects. It describes the objective(s), design, methodology, statistical considerations, and organization of a trial. For the purposes of this CRADA, the term, Protocol, for clinical research involving Human Subjects, includes any and all associated documents, including informed consent forms, to be provided to Human Subjects and potential participants in the study.

"Protocol Review Committee" (or "PRC") means the CTEP/DCTD committee that reviews and approves studies involving NCI investigational agents and/or activities supported by NCI.

"Raw Data" means the primary quantitative and empirical data first collected from experiments and clinical trials conducted within the scope of this CRADA. Raw Data includes case report forms.

"Research Plan" means the statement in Appendix A of the respective commitments of the Parties. The Research Plan should describe the provisions for sponsoring the IND, clinical and safety monitoring, and data management.

"Sponsor" means, in accordance with the definition in 21 C.F.R. § 312.3, an organization

or individual who assumes legal responsibility for supervising or overseeing clinical trials with Investigational Agents, and is sometimes referred to as the IND holder.

"Steering Committee" means the team whose composition and responsibilities with regard to the research performed under this CRADA are described in Article 3.12.

"Summary Data" means any extract or summary of the Raw Data, generated either by or, on behalf of, IC or by, or on behalf of, Collaborator. Summary Data may include extracts or summaries that incorporate IPI.

"Unauthorized Use" means any unauthorized modifications to the Investigational Agent or the conduct of any unauthorized research using the Investigational Agent.

Article 3. Cooperative Research and Development

3.1 **Performance of CRADA Activities**. The activities to be carried out under this CRADA will be performed by the Parties identified on the Cover Page as well as by IC's contractors or grantees as described in the Research Plan. However, IC's contractors or grantees are not Parties to the CRADA, and this CRADA does not grant to Collaborator any rights to Inventions made by IC's contractors or grantees. The NIH CRADA Extramural Investigator/Officer(s) and CRADA Collaborator PI(s) will be responsible for coordinating the scientific and technical conduct of this project on behalf of their employers. Any Collaborator employees who will work at IC facilities will be required to sign a Clinical Collaborator Agreement appropriately modified in view of the terms of this CRADA.

3.2 **Research Plan**. The Parties recognize that the Research Plan describes the collaborative activities they will undertake and that interim research goals set forth in the Research Plan are good faith guidelines. Should events occur that require modification of these goals, then by mutual agreement the Parties can modify them through an amendment, according to Paragraph 13.6.

3.3 **Use and Disposition of Collaborator Materials and IC Materials**. The Parties agree to use Collaborator Materials and IC Materials only in accordance with the Research Plan and Protocol(s), not to transfer these materials to third parties except in accordance with the Research Plan and Protocol(s) or as approved by the owning or providing Party, and, upon expiration or termination of the CRADA, to dispose of these materials as directed by the owning or providing Party.

3.4 **Third-Party Rights in Collaborator's CRADA Subject Inventions**. If Collaborator has received (or will receive) support of any kind from a third party in exchange for rights in any of Collaborator's CRADA Subject Inventions, Collaborator agrees to ensure that its obligations to the third party are both consistent with Articles 6 through 8 and subordinate to Article 7 of this CRADA.

3.5 **Disclosures to IC**. Prior to execution of this CRADA, Collaborator agrees to disclose to IC all instances in which outstanding royalties are due under a PHS license agreement and in which Collaborator had a PHS license terminated in accordance with 37 C.F.R. § 404.10. These disclosures will be treated as Confidential Information upon request by Collaborator in accordance with the definition in Article 2 and Paragraphs 8.3 and 8.4.

3.6 **Clinical Investigator Responsibilities**. The Clinical Investigator will be required to submit, or to arrange for submission of, each Protocol associated with this CRADA to all appropriate IRBs, and for ensuring that the IRBs are notified of the role of Collaborator in the research. In addition to the Protocol all associated documents, including informational documents and advertisements, must be reviewed and approved by the appropriate IRB(s) before starting the research at each Clinical Research Site. The research will be done in strict accordance with the Protocol(s) and no substantive changes in a finalized Protocol will be made unless mutually agreed upon, in writing, by the Parties. Research will not commence (or will continue unchanged, if already in progress) until each substantive change to a Protocol, including those required by either the FDA or the IRB, has been integrated in a way acceptable to the Parties, submitted to the FDA (if applicable) and approved by the appropriate IRBs.

3.7 **Investigational New Drug Applications**.

3.7.1 DCTD, NCI, as indicated in the Research Plan, will prepare and submit an IND(s) and all Clinical Investigators participating in DCTD-sponsored clinical trials must have completed registration documents on file (1572 forms) with CTEP.

3.7.2 Collaborator agrees to provide DCTD background data and information necessary to support the DCTD IND(s). Collaborator further agrees to provide a letter of cross-reference to all pertinent regulatory filings including an IND and/or DMF sponsored by Collaborator. Collaborator's employees will be reasonably available to respond to inquiries from the FDA regarding information and data contained in the Collaborator's IND, DMF, other filings, or other information and data provided to DCTD by the Collaborator pursuant to this Article 3. If DCTD has provided information or data to assist Collaborator in its IND filing, DCTD will provide a letter of cross reference to its IND and respond to inquiries related to information provided by DCTD, as applicable.

3.7.3 If Collaborator supplies Confidential Information to DCTD in support of an IND filed by DCTD, this information will be protected in accordance with the corresponding confidentiality provisions of Article 8.

3.7.4 Collaborator may sponsor its own clinical trials and hold its own IND for studies performed outside the scope of this CRADA. These studies, however, should not adversely affect the ability to accomplish the goal of the Research

Plan, for example, by competing for the same study population. All data from those clinical trials are proprietary to Collaborator for purposes of this CRADA. Collaborator will permit DCTD to review and use such data for regulatory purposes for DCTD-sponsored clinical trials that are under the CRADA.

3.7.5 In the event that Canadian institutions are participating on DCTD- sponsored clinical trials, Collaborator will need to assist in the submission of the regulatory documents to the Canadian Health Products and Food Branch to allow for such participation. This may include a letter of cross-reference to an existing Clinical Trials Application or a DMF, including supporting documentation on the production of the Investigational Agent. The forms and procedures for preparing Canadian Clinical Trials Application are available at http://www.hc-sc.gc.ca/dhp-mps/prodpharma/applic-demande/form/index-eng.php.

3.7.6 In the event that other international Clinical Research Sites are participating on the NCI-sponsored protocols, NCI will provide copies, with Collaborator's approval, of the Investigational Agent IB and Certificates of Analysis to the international Clinical Research Sites to support the regulatory filings. Collaborator will assist the international Clinical Research Sites with the submission of other necessary regulatory documents to allow for such participation. The international Clinical Research Sites will work directly with the Collaborator to obtain the necessary regulatory documents.

3.8 **Investigational Agent Information and Supply**.

3.8.1 Collaborator agrees to provide DCTD without charge and on a schedule that will ensure adequate and timely performance of the research, a sufficient quantity of formulated and acceptably labeled, clinical-grade Investigational Agent to complete the two phase 1 clinical trials listed in Appendix A under this CRADA. DCTD will provide a sufficient quantity of formulated and acceptably labeled, clinical-grade Investigational Agent (and, as required by the Protocol(s), Placebo) to complete any additional clinical trial(s) agreed to and approved under this CRADA. Investigational Agent should be suitable for shipment to all countries and sites participating in DCTD-sponsored clinical trials. DCTD does not maintain country-specific Investigational Agent supplies. Collaborator will provide a Certificate of Analysis to DCTD for each lot of the Investigational Agent provided. It is understood that DCTD shall take responsibility for and reasonable steps to maintain appropriate records and assure appropriate supply, handling, storage, distribution and usage of these materials in accordance with the terms of this Agreement, the Protocol(s) and any applicable laws and regulations relating thereto.

3.8.2 Collaborator and DCTD agree to supply sufficient inventory to ensure adequate and timely supply of Investigational Agent for mutually agreed upon

Protocol(s) as per Appendix A. DCTD will provide updated forecasts of amounts of Investigational Agent anticipated for ongoing and anticipated studies. Collaborator further agrees to provide draft Investigational Agent labels to the NCI Pharmaceutical Management Branch (PMB) for review and agrees to reasonable labeling revisions to comply with DCTD label guidelines. NCI NSC (National Service Center) numbers will be required to be on the label of Investigational Agent for all DCTD-sponsored clinical trials. DCTD will label the Investigation Agent it supplies to comply with DCTD label guidelines.

3.8.3 Collaborator agrees that DCTD or Collaborator will supply Investigational Agent or unformulated analytical grade Investigational Agent or metabolites, if available, to NCI Investigators for the development of mutually agreed upon Non-Clinical Studies such as analytical assays and ancillary correlative studies conducted in conjunction with DCTD-sponsored Protocols. These studies will be approved by the PRC and conducted according to mutually approved clinical Protocols.

3.8.4 Collaborator agrees that DCTD or Collaborator will provide Investigational Agent to NCI Investigators for mutually agreeable Non-Clinical Studies designed to enhance the basic understanding and development of Investigational Agent. These will include non-clinical studies including the NCI's Pediatric Preclinical Testing Program (PPTP) designed to support clinical trials in pediatric patients; non-clinical combination studies to provide data in support of a clinical trial and other pertinent requests. Each study will be proposed by the NCI Investigator and will be approved by both the NCI and Collaborator. All NCI Extramural Investigators will sign MTAs substantially in the form attached hereto as Appendix C that acknowledge the proprietary nature of the Investigational Agent to Collaborator and include intellectual property and publication provisions.

3.8.5 Collaborator agrees that DCTD may conduct DCTD Clinical Support Assays using Investigational Agent aimed at enhancing the understanding of the mechanism of action of Investigational Agent and its targets and optimizing its clinical development program.

3.8.6 Collaborator agrees to provide to the PMB the Investigator's Brochure (IB) for Investigational Agent and all subsequent revisions/editions. In addition to being filed to the CTEP IND, the IB will be on file in the PMB and will be distributed to all investigators participating on a clinical trial using the Investigational Agent. Distribution will be accompanied by a statement about the confidentiality of the document and it is anticipated that distribution will be electronic. All electronic distribution will be done using Adobe Acrobat PDF. Any IB received by the PMB that is not in this format will be converted before distribution. Hard copy IBs should be sent to IB Coordinator, Pharmaceutical

Management Branch, contact is identified on the Contacts Information Page. Electronic versions should be emailed to the IB Coordinator at IBCoordinator@mail.nih.gov.

3.9 **Investigational Agent Delivery and Usage**. Collaborator will ship the Investigational Agent to NCI or its designee in containers marked in accordance with 21 C.F.R. § 312.6. NCI agrees that the Clinical Investigators will keep appropriate records and take reasonable steps to ensure that the Investigational Agent is used in accordance with the Protocol(s) and applicable FDA regulations. In addition, NCI agrees that the Investigational Agent (and all Confidential Information supplied by Collaborator relating to the Investigational Agent) will be used solely for the conduct of the CRADA Research Plan. Furthermore, NCI agrees that no analysis or modification of the Investigational Agent will be performed without Collaborator's prior written consent. At the completion of the Research Plan, any unused quantity of Investigational Agent will be returned to DCTD or Collaborator or disposed as directed by Collaborator or DCTD, at Collaborator's expense if returned. The contact persons for PMB and Collaborator are identified on the Contacts Information Page.

During the term of this CRADA, Collaborator understands that excess supplies of Investigational Agent paid for and manufactured by DCTD may be used for studies outside the scope of the CRADA at DCTD's discretion. Investigational Agent supply manufactured by DCTD and funded by the Collaborator may be used for studies upon mutual approval of both Parties.

3.10 **Auditing and Monitoring**.

3.10.1 DCTD, NCI will be primarily responsible for monitoring Clinical Research Sites and for assuring the quality of all clinical data, unless otherwise stated in the Research Plan. Auditing will comply with the DCTD guidelines as described on the CTEP website at: http://ctep.info.nih.gov/branches/ctmb/clinicalTrials/monitoring.htm. NCI clinical trials must be conducted in accordance with the FDA Good Clinical Practices (GCP).

3.10.2 Subject to the restrictions in Article 8 concerning IPI, and with reasonable advance notice and at reasonable times, IC will permit Collaborator or its designee(s) access to Clinical Research Sites to audit the conduct of the research and to obtain updates on ongoing clinical trials at times convenient to Clinical Research Sites. Collaborator may also make arrangements with IC to audit Raw Data and source documents, at the completion of a Protocol and at Collaborator's expense, to the extent necessary to verify compliance with FDA Good Clinical Practice and the Protocol(s).

3.11 **FDA Meetings/Communications**. All formal meetings with the FDA concerning any

clinical trial within the scope of the Research Plan will be discussed by Collaborator and IC in advance. Each Party reserves the right to take part in setting the agenda for and to participate in these meetings. The Sponsor will provide the other Party with copies of FDA meeting minutes, all transmittal letters for IND submissions, IND safety reports, formal questions and responses that have been submitted to the FDA, Annual Reports, and official FDA correspondence, pertaining either to the IND(s) under this CRADA or to the Clinical Investigators on Protocols performed in accordance with the Research Plan, except to the extent that those documents contain the proprietary information of a third party or dissemination is prohibited by law.

3.12 **Steering Committee and CRADA Research**. The Parties agree to establish a Steering Committee comprising at least the NIH CRADA Extramural Investigator/officer(s) and CRADA Collaborator PIs to conduct and monitor the proposed and ongoing clinical studies and non-clinical research of the Investigational Agent in accordance with the CRADA Research Plan. Members of the Steering Committee shall continue to remain employed by their respective employers under their respective terms of employment.

In addition to the Steering Committee, a Project Team comprising NCI and Collaborator scientific members will be assembled for the purpose of discussing the DCTD Clinical Support Assays. This Project Team will be a collaborative body to approve projects described under "Respective Contributions of the Parties" of Appendix A of this CRADA that outlines the DCTD Clinical Support Assays. Manuscripts and presentations related to these studies will be handled in accordance with Article 8.7 of this CRADA.

Additional CRADA information, including Steering Committee meeting reports, Protocol Review Committee records, clinical Protocols, IND and general regulatory information, and non-clinical and clinical data in NCI's possession and control shall remain on file with NCI.

Article 4. Reports

4.1 **Interim Research Plan Reports**. The NIH CRADA Extramural Investigator/Officer(s) and CRADA Collaborator PI(s) should exchange information regularly, in writing. This exchange may be accomplished through meeting minutes, detailed correspondence, circulation of draft manuscripts, Steering Committee reports, copies of Annual Reports and any other reports updating the progress of the CRADA research. However, the Parties must exchange updated Investigator's Brochure, formulation and preclinical data, and toxicology findings, as they become available.

4.2 **Final Research Plan Reports**. The Parties will exchange final reports of their results within six (6) months after the expiration or termination of this CRADA. These reports will set forth the technical progress made; any publications arising from the research; and the existence of invention disclosures of potential CRADA Subject Inventions and/or any corresponding Patent Applications. Abstracts and publications provided to CTEP by

investigators and further provided by CTEP to Collaborator will fulfill this final report obligation. With respect to clinical studies, a copy of the IND(s) Annual Report will also fulfill this reporting obligation.

4.3 **Fiscal Reports**. If Collaborator has agreed to provide funding to IC under this CRADA and upon the request of Collaborator, then concurrent with the exchange of final Research Plan reports according to Paragraph 4.2, IC will submit to Collaborator a statement of all costs incurred by IC for the CRADA. If the CRADA has been terminated, IC will specify any costs incurred before the date of termination for which IC has not received funds from Collaborator, as well as for all reasonable termination costs including the cost of returning Collaborator property or removal of abandoned Collaborator property, for which Collaborator will be responsible.

4.4 **Safety Reports**. DCTD shall report all serious and unexpected possible, probable and definite Adverse Events to FDA in accordance with the reporting obligations of 21 CFR 312.32 and will, within 24 hours of notification to FDA, forward all such reports to Collaborator. All other Adverse Event reports received by DCTD shall be reported to the FDA consistent with 21 CFR 312.32 and 312.33. In the event that Collaborator informs the FDA of any serious and unexpected Adverse Events, Collaborator must notify the NCI at the same time. NCI will then notify the Clinical Investigator(s) conducting studies under DCTD-sponsored Protocols, if appropriate.

4.5 **Annual Reports**. DCTD will provide Collaborator a copy of the Annual Report concurrently with the submission of the Annual Report to the FDA. Annual Reports will be kept confidential in accordance with Article 8. Collaborator will provide DCTD with a copy of its Annual Report to the FDA if Collaborator is sponsoring studies of Investigational Agent under its own IND.

Article 5. Staffing, Financial, and Materials Obligations

5.1 **IC and Collaborator Contributions**. The contributions of any staff, funds, materials, and equipment by the Parties are set forth in Appendix B. The Federal Technology Transfer Act of 1986, 15 U.S.C. § 3710a(d)(1) prohibits IC from providing funds to Collaborator for any activities under this CRADA.

5.2 **IC Staffing**. No IC employees will devote 100% of their effort or time to the Research Plan . IC will not use funds provided by Collaborator under this CRADA for IC personnel to pay the salary of any permanent IC employee. Although personnel hired by IC using CRADA funds will focus principally on the Research Plan, Collaborator acknowledges that these personnel may nonetheless make contributions to other activities, and these activities will be outside the scope of this CRADA.

5.3 **Collaborator Funding**. Collaborator acknowledges that Government funds received by Collaborator from an agency of the Department of Health and Human Services may not

be used to fund IC under this CRADA. If Collaborator has agreed to provide funds to IC then the payment schedule appears in Appendix B and Collaborator will make payments according to that schedule. If Collaborator fails to make any scheduled payment, IC will not be obligated to perform any of the Research Plan or to take any other action required by this CRADA until the funds are received. IC will use these funds exclusively for the purposes of this CRADA. Each Party will maintain separate and distinct current accounts, records, and other evidence supporting its financial obligations under this CRADA and, upon written request, will provide the other Party a fiscal report according to Paragraph 4.3, which delineates all payments made and all obligated expenses, along with the final research report described in Paragraph 4.2.

Article 6. Intellectual Property

6.1 **Ownership of CRADA Subject Inventions, CRADA Data, and CRADA Materials**. Subject to the Government license described in Paragraph 7.5, the sharing requirements of Paragraph 8.1 and the regulatory filing requirements of Paragraph 8.2, the producing Party will retain sole ownership of and title to all CRADA Subject Inventions, all copies of CRADA Data, and all CRADA Materials produced solely by its employee(s). The Parties will own jointly all CRADA Subject Inventions invented jointly and all CRADA Materials developed jointly. A PHS contractor's or grantee's rights in data it generates will not be affected by this CRADA. The Parties acknowledge that the IC contractors who may perform DCTD Clinical Support Assays are obligated to assign to NIH any and all intellectual property arising from the use of the Investigational Agent provided under this CRADA.

6.2 **Reporting**. The Parties will promptly report to each other in writing each CRADA Subject Invention reported by their respective personnel, and any Patent Applications filed thereon, resulting from the conduct of the Research Plan. Each Party will report all CRADA Subject Inventions to the other Party in sufficient detail to determine inventorship, which will be determined in accordance with U.S. patent

law. These reports will be treated as Confidential Information in accordance with Article 8. Formal reports will be made by and to the Patenting and Licensing Offices identified on the Contacts Information Page herein.

6.3 **Filing of Patent Applications**. Each Party will make timely decisions regarding the filing of Patent Applications on the CRADA Subject Inventions made solely by its employee(s), and will notify the other Party in advance of filing. Collaborator will have the first opportunity to file a Patent Application on jointly owned CRADA Subject Inventions and will notify PHS of its decision within […***…] days of an Invention being reported or at least […***…] days before any patent filing deadline, whichever occurs sooner. If Collaborator fails to notify PHS of its decision within that time period or notifies PHS of its decision not to file a Patent Application, then PHS has the right to file a Patent Application on the joint CRADA Subject Invention. Neither Party will be obligated to file a Patent Application. Collaborator will place the following statement in

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any Patent Application it files on a CRADA Subject Invention: "This invention was created in the performance of a Cooperative Research and Development Agreement with the **National Institutes of Health,** an Agency of the Department of Health and Human Services. The Government of the United States has certain rights in this invention." If either Party files a Patent Application on a joint CRADA Subject Invention, then the filing Party will include a statement within the Patent Application that clearly identifies the Parties and states that the joint CRADA Subject Invention was made under this CRADA.

6.4 **Patent Expenses**. Unless agreed in writing otherwise, the Party filing a Patent Application will pay all preparation and filing expenses, prosecution fees, issuance fees, post issuance fees, patent maintenance fees, annuities, interference expenses, and attorneys' fees for that Patent Application and for any resulting Patent(s). If a license to any CRADA Subject Invention is granted to Collaborator, then Collaborator will be responsible for all expenses and fees, past and future, in connection with the preparation, filing, prosecution, and maintenance of any Patent Applications and Patents claiming exclusively licensed CRADA Subject Inventions and will be responsible for a pro-rated share, divided equally among all licensees, of those expenses and fees for non- exclusively licensed CRADA Subject Inventions. Collaborator may waive its exclusive option rights at any time, and incur no subsequent financial obligation for those Patent Application(s) or Patent(s).

6.5 **Prosecution of Patent Applications**. The Party filing a Patent Application will provide the non-filing Party with a copy of any patent office official communication relating to prosecution of the Patent Application within thirty (30) days of transmission of the communication. Each Party will also provide the other Party with the power to inspect and make copies of all documents retained in the applicable Patent Application or Patent file. The Parties agree to consult with each other regarding the prosecution of Patent Applications directed to jointly owned CRADA Subject Inventions. If Collaborator elects to file and prosecute Patent Applications on jointly owned CRADA Subject Inventions, then Collaborator agrees to use the U.S.P.T.O. Customer Number Practice and/or grant PHS a power(s) of attorney (or equivalent) necessary to assure PHS access to its intellectual property rights in these Patent Applications. PHS and Collaborator will cooperate with each other to obtain all necessary signatures on Patent Applications, assignments, or other documents.

Article 7. Licensing

7.1 **Background Inventions**. Other than as specifically stated in this Article 7, nothing in this CRADA will be construed to grant any rights in one Party's Background Invention(s) to the other Party, except to the extent necessary for the Parties to conduct the activities described in the Research Plan.

7.2 **Collaborator's License Option to CRADA Subject Inventions**. With respect to Government rights to any CRADA Subject Invention made solely by an IC employee(s) or made jointly by an IC employee(s) and a Collaborator employee(s) for which a Patent Application has been filed, PHS hereby offers to the Collaborator the following options and grants:

7.2(a). For CRADA Subject Inventions that would be described in Patent Applications that claim the use and/or the composition of the Investigational Agent(s): PHS hereby grants to Collaborator: (i) an option to elect a royalty-free (except for patent prosecution and maintenance fees for Patent Applications and Patents claiming such CRADA Subject Inventions, which will be pro-rated and divided […***…] among all licensees), worldwide, non-exclusive license for commercial purposes with the right to sublicense to Affiliates or collaborators working on behalf of Collaborator for Collaborator's development purposes; (ii) a time limited option to negotiate an exclusive, or co-exclusive, if applicable, world-wide, royalty bearing license for commercial purposes, including the right to grant sublicenses, on terms to be negotiated in good faith by the Collaborator(s) and PHS; and (iii) at Collaborator's request, a paid-up, nonexclusive, royalty-free, world-wide license for research purposes only. NIH retains the right to make and use any CRADA Subject Inventions covered by this Paragraph 7.2(a) for all non-profit research, including for educational purposes and to permit other educational and non-profit institutions to do so, this license is in addition to the Government use licenses granted in Section 7.4 and 7.5 below.

7.2(b). For CRADA Subject Inventions pursuant to research under this CRADA not covered under Paragraph 7.2(a), including those that use non-publicly available CRADA Data or specimens from patients treated with Investigational Agent under the CRADA, (including specimens obtained from NCI CTEP-funded tissue banks) PHS hereby grants to Collaborator: (i) a paid-up nonexclusive, nontransferable, royalty-free, world-wide license for research purposes only; and (ii) a nonexclusive, royalty-free, world-wide license to: (a) disclose such CRADA Subject Inventions to a regulatory authority when seeking marketing authorization of the Investigational Agent, and (b) disclose such CRADA Subject Inventions on a product insert or other promotional material regarding the Investigational Agent after having obtained marketing authorization from a regulatory authority. Notwithstanding the above, PHS is under no obligation to file a Patent Application or maintain patent prosecution for any such CRADA Subject Inventions.

7.2(c). In addition, for Inventions made by NIH's Intramural Investigator(s) or any other employees or agents of IC, which are or may be patentable or otherwise protectable, as a result of research utilizing the Investigational Agent(s), unreleased or non-publicly available CRADA Data or Investigational Agent-treated specimens outside the scope of approval granted by the NCI CTEP (Unauthorized Inventions): PHS agrees, at Collaborator's request, to grant to Collaborator a royalty-free (except for all out of pocket Patent prosecution and maintenance costs for Patent Applications and Patents claiming such inventions, which will be pro-rated and divided […***…] among all licensees)

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exclusive or co-exclusive commercial license to Unauthorized Inventions. The NIH will retain a nonexclusive, nontransferable, irrevocable, paid-up license from the Collaborator to practice the invention or have the invention practiced throughout the world by or on behalf of the Government.

7.2(d). In addition to the license options to CRADA Subject Invention(s) contained in Paragraphs 7.2(b) and 7.2(c) above, PHS hereby grants to Collaborator an exclusive option to CRADA Subject Inventions to elect an exclusive or nonexclusive commercialization license to such Inventions. The field of use of this license option will not exceed the scope of the Research Plan.

7.3 **Exercise of Collaborator's License Option**. To exercise the option(s) or grant(s) set forth in Paragraph 7.2, Collaborator must submit a written notice to the PHS Patenting and Licensing Contact identified on the Contacts Information Page (and provide a copy to the IC Contact for CRADA Notices) within […***…] months after either (i) Collaborator receives written notice from PHS that a Patent Application has been filed or (ii) the date on which Collaborator files a Patent Application. The written notice exercising the option(s) will include a completed "Application for License to Public Health Service Inventions" and will initiate a negotiation period that expires […***…] months after the date of exercise of the option. If PHS has not responded in writing to the last proposal by Collaborator within this […***…] month period, the negotiation period will be extended to expire […***…] after PHS so responds, during which […***…] Collaborator may accept in writing the final license proposal of PHS. If PHS and Collaborator fail to reach agreement within […***…] months, (or such additional period as described above) on the terms for an exclusive license for a particular Paragraph 7.2(a) Invention, then for a period of […***…] months thereafter PHS agrees not to offer to license the Paragraph 7.2(a) Invention to any third party on materially better terms than those last offered to Collaborator without first offering such terms to Collaborator, in which case Collaborator will have a period of […***…] days in which to accept or reject the offer. In the absence of Collaborator's exercise of the option with respect to a CRADA Subject Invention, or upon election of a nonexclusive license to such Invention, PHS will be free to license the CRADA Subject Invention to others. These time periods may be extended at the sole discretion of PHS upon good cause shown in writing by Collaborator.

7.4 **Government License in IC Sole CRADA Subject Inventions and Joint CRADA Subject Inventions**. Pursuant to 15 U.S.C. § 3710a(b)(1)(A), for CRADA Subject Inventions owned solely by IC or jointly by IC and Collaborator, and licensed pursuant to the option of Paragraph 7.2, Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the CRADA Subject Invention or have the CRADA Subject Invention practiced throughout the world by or on behalf of the Government. In the exercise of this license, the Government will not publicly disclose trade secrets or commercial or financial information that is privileged or confidential within the meaning of 5 U.S.C. § 552(b)(4) or which would be considered privileged or

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confidential if it had been obtained from a non-federal party.

7.5 **Government License in Collaborator Sole CRADA Subject Inventions**. Pursuant to 15 U.S.C. § 3710a(b)(2), for CRADA Subject Inventions made solely by an employee of Collaborator, Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the CRADA Subject Invention or have the CRADA Subject Invention practiced throughout the world by or on behalf of the Government for research or other Government purposes.

7.6 **Third Party License**. Pursuant to 15 U.S.C. § 3710a(b)(1)(B), if PHS grants Collaborator an exclusive, or co-exclusive, license to a CRADA Subject Invention made solely by an IC employee or jointly with a Collaborator employee, the Government will retain the right to require Collaborator to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive sublicense to use the CRADA Subject Invention in Collaborator's licensed field of use on terms that are reasonable under the circumstances; or, if Collaborator fails to grant a license, to grant a license itself. The exercise of these rights by the Government will only be in exceptional circumstances and only if the Government determines (i) the action is necessary to meet health or safety needs that are not reasonably satisfied by Collaborator, (ii) the action is necessary to meet requirements for public use specified by federal regulations, and such requirements are not reasonably satisfied by Collaborator; or (iii) Collaborator has failed to comply with an agreement containing provisions described in 15 U.S.C. § 3710a(c)(4)(B). The determination made by the Government under this Paragraph is subject to administrative appeal and judicial review under 35 U.S.C. § 203(b).

7.7 **Third-Party Rights In IC Sole CRADA Subject Inventions**. For a CRADA Subject Invention conceived prior to the Effective Date solely by an IC employee that is first actually reduced to practice after the Effective Date in the performance of the Research Plan, the option offered to Collaborator in Paragraph 7.2 may be restricted if, prior to the Effective Date, PHS had filed a Patent Application and has either offered or granted a license in the CRADA Subject Invention to a third party. Collaborator nonetheless retains the right to apply for a license to any such CRADA Subject Invention in accordance with the terms and procedures of 35 U.S.C. § 209 and 37 C.F.R. Part 404.

7.8 **Joint CRADA Subject Inventions Not Exclusively Licensed by Collaborator**. If Collaborator does not acquire an exclusive commercialization license in a joint CRADA Subject Invention in all fields of use then, for those fields of use not exclusively licensed to Collaborator, each Party will have the right to use the joint CRADA Subject Invention and to license its use to others, and each Party will cooperate with the other, as necessary, to fulfill international licensing requirements. The Parties may agree to a joint licensing approach for any remaining fields of use.

Article 8. Rights of Access and Publication

8.1 **Right of Access to CRADA Data and CRADA Materials**. IC and Collaborator agree to exchange all CRADA Data and to share all CRADA Materials. If the CRADA is terminated, both Parties agree to provide CRADA Materials in quantities needed to complete the Research Plan. Such provision will occur before the termination date of the CRADA or sooner, if required by the Research Plan. If Collaborator possesses any human biological specimens from clinical trials under the CRADA, the specimens must be handled as described in the Protocol or as otherwise directed by IC before the termination date of the CRADA.

8.2 **Use of CRADA Data and CRADA Materials**. The Parties will be free to utilize CRADA Data and CRADA Materials internally for their own purposes, consistent with their obligations under this CRADA. IC may share CRADA Data or CRADA Materials with any contractors, grantees, or agents it has engaged to conduct the Research Plan, provided the obligations of this Article 8.2 are simultaneously conveyed. Collaborator may share CRADA Data or CRADA Materials with any contractors, Affiliates, development partners or agents it has engaged to conduct the Research Plan, provided the obligations of this Article 8.2 are simultaneously conveyed. Collaborator shall not transfer CRADA Data to any third party other than those set forth in this section without notifying NCI. Collaborator and such third party shall enter into a Confidential Disclosure Agreement with confidentiality terms at least as stringent as those set forth herein. Collaborator can then transfer the data to such third party.

8.2.1 **CRADA Data**.
Collaborator and IC will use reasonable efforts to keep CRADA Data confidential until published or until corresponding Patent Applications are filed. To the extent permitted by law, each Party will have the right to use any and all CRADA Data in and for any regulatory filing by or on behalf of the Party.

8.2.2 **CRADA Materials**.
Collaborator and IC will use reasonable efforts to keep descriptions of CRADA Materials confidential until published or until corresponding Patent Applications are filed. Collaborator acknowledges that the basic research mission of PHS includes sharing with third parties for further research those research resources made in whole or in part with NIH funding. Consistent with this mission and the tenets articulated in "Sharing of Biomedical Research Resources: Principles and Guidelines for Recipients of NTH Research Grants and Contracts," December 1999, available at http://ott.od.nih.gov/NewPages/RTguide_final.html, following publication either Party may make available to third parties for further research those CRADA Materials made jointly by both PHS and Collaborator. Notwithstanding the above, if those joint CRADA Materials are the subject of a pending Patent Application or a Patent, or were created using a patent-pending or patented material or technology, the Parties may agree to restrict distribution or freely distribute them. Either Party may distribute those CRADA Materials made solely by the other Party only upon written consent from that other Party or that

other Party's designee.

8.3 **Confidential Information**. Each Party agrees to limit its disclosure of Confidential Information to the amount necessary to carry out the Research Plan, and will place a confidentiality notice on all this information. A Party orally disclosing Confidential Information to the other Party will summarize the disclosure in writing and provide it to the other Party within fifteen (15) days of the disclosure. Each Party receiving Confidential Information agrees to use it only for the purposes described in the Research Plan. Either Party may object to the designation of information as Confidential Information by the other Party.

8.4 **Protection of Confidential Information**. Confidential Information will not be disclosed, copied, reproduced or otherwise made available to any other person or entity without the consent of the owning or providing Party except as required by a court or administrative body of competent jurisdiction, or federal law or regulation. Each Party agrees to use reasonable efforts to maintain the confidentiality of Confidential Information, which will in no instance be less effort than the Party uses to protect its own Confidential Information. Each Party agrees that a Party receiving Confidential Information will not be liable for the disclosure of that portion of the Confidential Information which, after notice to and consultation with the disclosing Party, the receiving Party determines may not be lawfully withheld, provided the disclosing Party has been given a reasonable opportunity to seek a court order to enjoin disclosure.

8.5 **Human Subject Protection**. The research to be conducted under this CRADA involves Human Subjects or human tissues within the meaning of 45 C.F.R. Part 46, and all research to be performed under this CRADA will conform to applicable federal laws and regulations. Additional information is available from the HHS Office for Human Research Protections (http://www.hhs.gov/ohrp/).

8.6 **Duration of Confidentiality Obligation**. The obligation to maintain the confidentiality of Confidential Information will expire at the earlier of the date when the information is no longer Confidential Information as defined in Article 2 or […***…] years after the expiration or termination date of this CRADA, except for IPI, for which the obligation to maintain confidentiality will extend indefinitely. Collaborator may request an extension to this term when necessary to protect Confidential Information relating to products not yet commercialized.

8.7 **Publication**. The Parties are encouraged to make publicly available the results of their activities under the Research Plan. However, Collaborator will not publish or publicly disclose any CRADA Data provided by NCI or by NCI Investigators under the CRADA without NCI's permission. Before Collaborator or NCI Investigators submit a paper or abstract for publication about a CRADA Subject Invention, CRADA Data, or CRADA Materials, the other Party will have thirty (30) days to review proposed manuscripts and three (3) days to review proposed abstracts to assure that Confidential Information is

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protected. Either Party may request in writing that a proposed publication be delayed for up to thirty (30) additional days as necessary to file a Patent Application. Manuscripts to be submitted for publication by NCI Investigators will be sent to NCI's Regulatory Affairs Branch [NCICTEPpubs@mail.nih.gov] for forwarding to Collaborator for review as soon as they are received and in compliance with the timelines outlined above. Abstracts to be presented by NCI Investigators will be sent to NCI's Regulatory Affairs Branch [NCICTEPpubs@mail.nih.gov] for forwarding to Collaborator as soon as they are received, preferably no less than three (3) days prior to submission, but prior to presentation or publication, to allow for preservation of U.S. or foreign patent rights.

8.8 **Clinical Investigators' Research and Non-Clinical Investigators' Development Activities**. In pursuing the development of Investigational Agent pursuant to this CRADA, NCI may utilize contractors and Extramural Investigators that are not NCI employees for part or all of the completion of this Research Plan, which may cover Non-Clinical Studies and clinical studies, through Funding Agreements and MTAs. Participation in DCTD-sponsored clinical trials by these investigators shall be determined after competitive solicitation and review of Protocol Letters of Intent (LOIs) and study Protocols by CTEP, NCI. All Funding Agreements and MTAs for the conduct of extramural clinical trials and Non-Clinical Studies will include the Intellectual Property Option to Collaborator (including any updates) offering Collaborator first rights of negotiation to extramural Inventions (web site: http://ctep.cancer.gov/industryCollaborations2/intellectual_property.htm). Although this CRADA does not grant to Collaborator any rights to Inventions made or Raw Data generated by NCI's contractors or grantees, as they are not parties to this CRADA, NCI agrees that:

8.8.1 NCI Investigators agree to confidentiality provisions at least as restrictive as those provided in this CRADA and to Collaborator's use of CRADA Data for obtaining regulatory approval for marketing Investigational Agent.

8.8.2 If Collaborator wants access to Raw Data or any other data in the possession of the NCI Investigators working with Investigational Agent under a Funding Agreement or a MTA, Collaborator must first contact the Regulatory Affairs Branch (RAB), as identified on the Contacts Information Page. Subsequent to authorization by RAB, Collaborator may directly contact the NCI Investigators. Collaborator will bear any costs associated with Raw Data provided in formats customized for Collaborator, which costs will be paid by Collaborator directly to the NCI Investigators.

8.8.3 If Collaborator abandons development or commercialization of Investigational Agent without the transfer of its development efforts to another party within […***…] days of abandonment, NCI has the right to make CRADA Data and Raw Data available to a third party.

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8.9 **Multi-Party Data Rights**. For clinical Protocol(s) and Non-Clinical Study(ies) where Investigational Agent is used in combination with another investigational agent supplied to NCI pursuant to a CTA or CRADA between NCI and an entity not a Party to this CRADA (hereinafter referred to as "Third Party"), the access and use of Multi-Party Data by the Collaborator and Third Party shall be co-exclusive as follows:

8.9.1 NCI will provide both Collaborator and Third Party with notice regarding the existence and nature of the agreements governing their collaborations with NIH, the design of the proposed combination Protocol(s) or Non-Clinical Study(ies), and the existence of any obligations that might restrict NCI's participation in the proposed combination Protocols or Non-Clinical Study(ies).

8.9.2 Collaborator shall agree to permit use of the Multi-Party Data from these trials by Third Party to the extent necessary to allow Third Party to develop, obtain regulatory approval for, or commercialize its own investigational agent(s). However, this provision will not apply unless Third Party also agrees to Collaborator's reciprocal use of Multi-Party Data.

8.9.3 Collaborator and Third Party must agree in writing, by signing the drug approval forms for clinical Protocols, prior to the commencement of the combination Protocol(s) or Non-Clinical Study(ies) that each will use the Multi-Party Data solely for the development, regulatory approval, and commercialization of its own investigational agent(s).

8.10 **Access, review and receipt of Identifiable Private Information**. Collaborator access to and review of Identifiable Private Information shall be only for on-site quality auditing. Collaborator will receive Identifiable Private Information only if necessary for purposes of satisfying FDA or other health authorities' reporting requirements, and for internal research purposes, directly related to obtaining regulatory approval of Investigational Agent. Collaborator is prohibited from access, review, receipt, or use of such information for other purposes. All IRB approved Protocols and informed consent documents related to this research project will clearly describe this practice. If the Collaborator will have access to Identifiable Private Information, the Protocol and the informed consent must clearly state (i) the existence of the Collaborator; (ii) the Collaborator's access to Identifiable Private Information, if any; and (iii) the extent to which confidentiality will be maintained. For clinical Protocol(s) involving a third party, the other party's access, review, receipt, or use of Identifiable Private Information shall be subject to the same limitations as described in this Article 8.10.

Article 9. Representations and Warranties

9.1 **Representations of IC**. IC hereby represents to Collaborator that:

9.1.1 IC has the requisite power and authority to enter into this CRADA and to perform according to its terms, and that IC's official signing this CRADA has

authority to do so.

9.1.2 To the best of its knowledge and belief, neither IC nor any of its personnel involved in this CRADA is presently subject to debarment or suspension by any agency of the Government that would directly affect its performance of the CRADA. Should IC become aware that any of its personnel involved in this CRADA are debarred or suspended during the term of this CRADA, IC will notify Collaborator within thirty (30) days.

9.2 **Representations and Warranties of Collaborator**. Collaborator hereby represents and warrants to IC that:

9.2.1 Collaborator has the requisite power and authority to enter into this CRADA and to perform according to its terms, and that Collaborator's official signing this CRADA has authority to do so.

9.2.2 Neither Collaborator nor any of its personnel involved in this CRADA, including Affiliates, agents, and contractors are presently subject to debarment or suspension by any agency of the Government. Should Collaborator become aware that any of its personnel involved in this CRADA are debarred or suspended during the term of this CRADA, Collaborator will notify IC within thirty (30) days.

9.2.3 Subject to Paragraph 12.3, and if and to the extent Collaborator has agreed to provide funding under Appendix B, Collaborator is financially able to satisfy these obligations in a timely manner.

9.2.4 The Investigational Agent provided has been produced in accordance with the FDA's current Good Manufacturing Practice set out in 21 C.F.R. §§ 210-211, and ICH Q7, and meets the specifications cited in the Certificate of Analysis and Investigator's Brochure provided.

Article 10. Expiration and Termination

10.1 **Expiration**. This CRADA will expire on the last date of the term set forth on the Summary Page. In no case will the term of this CRADA extend beyond the term indicated on the Summary Page unless it is extended in writing in accordance with Paragraph 13.6.

10.2 **Termination by Mutual Consent**. IC and Collaborator may terminate this CRADA at any time by mutual written consent.

10.3 **Unilateral Termination**. Either IC or Collaborator may unilaterally terminate this CRADA at any time by providing written notice at least sixty (60) days before the

desired termination date. IC may, at its option, retain funds transferred to IC before unilateral termination by Collaborator for use in completing the Research Plan. If Collaborator terminates this Agreement before the completion of all approved or active Protocol(s), then Collaborator will supply Investigational Agent in Collaborator's inventory unless termination is for safety concerns.

10.5 **New Commitments**. Neither Party will incur new expenses related to this CRADA after expiration, mutual termination or a notice of a unilateral termination and will, to the extent feasible, cancel all outstanding commitments and contracts by the termination date. Collaborator acknowledges that IC will have the authority to retain and expend any funds for up to […***…] years subsequent to the expiration or termination date to cover any unpaid costs obligated during the term of the CRADA in undertaking the activities set forth in the Research Plan.

10.6 **Collaborator Failure to Continue Development**. If Collaborator suspends development of the Investigational Agent without the transfer of its active development efforts, assets, and obligations to a third party within […***…] days of discontinuation, Collaborator agrees that IC may continue developing the Investigational Agent. In that event, Collaborator agrees to transfer to IC all information necessary to enable IC to contract for the manufacture of the Investigational Agent and, unless abandoned for reasons relating to safety as determined by the data safety monitoring board, to provide the Investigational Agent (and Placebo, if any) in Collaborator's inventory to IC.

Article 11. Disputes

11.1 **Settlement**. Any dispute arising under this CRADA which is not disposed of by agreement of the NIH CRADA Extramural Investigator/Officer(s) and CRADA Collaborator PI(s) will be submitted jointly to the signatories of this CRADA. If the signatories, or their designees, are unable to jointly resolve the dispute within thirty (30) days after notification thereof, the Assistant Secretary for Health (or his/her designee or successor) will propose a resolution. Nothing in this Paragraph will prevent any Party from pursuing any additional administrative remedies that may be available and, after exhaustion of such administrative remedies, pursuing all available judicial remedies.

11.2 **Continuation of Work**. Pending the resolution of any dispute or claim pursuant to this Article 11, the Parties agree that performance of all obligations will be pursued diligently.

Article 12. Liability

12.1 **NO WARRANTIES**. EXCEPT AS SPECIFICALLY STATED IN ARTICLE 9, THE PARTIES MAKE NO EXPRESS OR IMPLIED WARRANTY AS TO ANY MATTER WHATSOEVER, INCLUDING THE CONDITIONS OF THE RESEARCH OR ANY INVENTION OR MATERIAL, WHETHER TANGIBLE OR INTANGIBLE, MADE

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OR DEVELOPED UNDER OR OUTSIDE THE SCOPE OF THIS CRADA, OR THE OWNERSHIP, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE RESEARCH OR ANY INVENTION OR MATERIAL, OR THAT A TECHNOLOGY UTILIZED BY A PARTY IN THE PERFORMANCE OF THE RESEARCH PLAN DOES NOT INFRINGE ANY THIRD-PARTY PATENT RIGHTS.

12.2 **Indemnification and Liability**. Collaborator agrees to hold the Government harmless and to indemnify the Government for all liabilities, demands, damages, expenses and losses arising out of the use by Collaborator for any purpose of the CRADA Data, CRADA Materials or CRADA Subject Inventions produced in whole or part by IC employees under this CRADA, unless due to the negligence or willful misconduct of IC, its employees, or agents. The Government has no statutory authority to indemnify Collaborator. Each Party otherwise will be liable for any claims or damages it incurs in connection with this CRADA, except that IC, as an agency of the Government, assumes liability only to the extent provided under the Federal Tort Claims Act , 28 U.S.C. Chapter 171.

12.3 ***Force Majeure***. Neither Party will be liable for any unforeseeable event beyond its reasonable control and not caused by its own fault or negligence, which causes the Party to be unable to perform its obligations under this CRADA, and which it has been unable to overcome by the exercise of due diligence. If a *force majeure* event occurs, the Party unable to perform will promptly notify the other Party. It will use

its best efforts to resume performance as quickly as possible and will suspend performance only for such period of time as is necessary as a result of the *force majeure* event.

Article 13. Miscellaneous

13.1 **Governing Law**. The construction, validity, performance and effect of this CRADA will be governed by U.S. federal law, as applied by the federal courts in the District of Columbia. If any provision in this CRADA conflicts with or is inconsistent with any U.S. federal law or regulation, then the U.S. federal law or regulation will preempt that provision.

13.2 **Compliance with Law**. IC and Collaborator agree that they will comply with, and advise any contractors, grantees, or agents they have engaged to conduct the Research Plan to comply with, all applicable Executive Orders, statutes, and HHS regulations relating to research on human subjects (45 C.F.R. Part 46, 21 C.F.R. Parts 50 and 56) and relating to the appropriate care and use of laboratory animals (7 U.S.C. §§ 2131 *et seq.*; 9 C.F.R. Part 1, Subchapter A). IC and Collaborator will advise any contractors, grantees, or agents they have engaged to conduct clinical trials for this CRADA that they must comply with all applicable federal regulations for the protection of Human Subjects, which may include the Standards for Privacy of Individually Identifiable Health Information set forth in 45 C.F.R. Part 164 and Corporate Integrity Policy. Collaborator agrees to ensure that its employees, contractors, and agents who might have access to a

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"select agent or toxin" (as that term is defined in 42 C.F.R. §§ 73.4-73.5) transferred from IC is properly licensed to receive the "select agent or toxin."

13.3 **Waivers**. None of the provisions of this CRADA will be considered waived by any Party unless a waiver is given in writing to the other Party. The failure of a Party to insist upon strict performance of any of the terms and conditions hereof, or failure or delay to exercise any rights provided herein or by law, will not be deemed a waiver of any rights of any Party.

13.4 **Headings**. Titles and headings of the articles and paragraphs of this CRADA are for convenient reference only, do not form a part of this CRADA, and will in no way affect its interpretation.

13.5 **Severability**. The illegality or invalidity of any provisions of this CRADA will not impair, affect, or invalidate the other provisions of this CRADA.

13.6 **Amendments**. Minor modifications to the Research Plan may be made by the mutual written consent of the NIH CRADA Extramural Investigator/Officer(s) and CRADA Collaborator PI(s). Substantial changes to the Research Plan (Appendix A of this CRADA) and any changes to the CRADA including extensions of the term will become effective only upon a written amendment signed by the signatories to this CRADA or by their representatives duly authorized to execute an amendment. A change will be considered substantial if it directly expands the range of the potential CRADA Subject Inventions, alters the scope or field of any license option governed by Article 7, or requires a significant increase in the contribution of resources by either Party.

13.7 **Assignment**. Neither this CRADA nor any rights or obligations of any Party hereunder shall be assigned or otherwise transferred by either Party without the prior written consent of the other Party. The Collaborator acknowledges the applicability of 41 U.S.C. § 15, the Anti Assignment Act, to this Agreement. The Parties agree that the identity of the Collaborator is material to the performance of this CRADA and that the duties under this CRADA are nondelegable.

13.8 **Notices**. All notices pertaining to or required by this CRADA will be in writing, signed by an authorized representative of the notifying Party, and delivered by first class, registered, or certified mail, or by an express/overnight commercial delivery service, prepaid and properly addressed to the other Party at the address designated on the Contacts Information Page, or to any other address designated in writing by the other Party. Notices will be considered timely if received on or before the established deadline date or sent on or before the deadline date as verifiable by U.S. Postal Service postmark or dated receipt from a commercial carrier. Notices regarding the exercise of license options will be made pursuant to Paragraph 7.3. Either Party may change its address by notice given to the other Party in the manner set forth above.

13.9 **Independent Contractors**. The relationship of the Parties to this CRADA is that of independent contractors and not agents of each other or joint venturers or partners. Each Party will maintain sole and exclusive control over its personnel and operations. If Collaborator elects to perform any portion of the Research Plan through a contractor(s) or consultant(s), Collaborator agrees to incorporate into such contract all provisions necessary to ensure that the work of such contractor(s) or consultant(s) is governed by the terms of the CRADA, including, but not limited to a provision for the assignment of inventions of the contractor(s) or consultant(s) to the Collaborator.

In conducting a portion of the CRADA research, it may be necessary for NCI to utilize the services of NCI's contractors or subcontractors. As described in Article 8.8, certain contractors perform under Funding Agreements and MTAs, which include an Intellectual Property

Option to Collaborator offering Collaborator first rights of negotiation to extramural Inventions (web site: http://ctep.cancer.gov/industryCollaborations2/intellectual_property.htm).

Other NCI contractors or subcontractors, including those performing the DCTD Clinical Support Assays, are subject to a Determination of Exceptional Circumstances (35 U.S.C. § 202(a)(ii)), through which their rights in Inventions made using the Investigational Agent are assigned to the Government. Such Inventions are then subject to the terms of this CRADA.

13.10 **Use of Name; Press Releases**. By entering into this CRADA, the Government does not directly or indirectly endorse any product or service that is or will be provided, whether directly or indirectly related to either this CRADA or to any patent or other intellectual-property license or agreement that implements this CRADA by Collaborator, its successors, assignees, or licensees. Collaborator will not in any way state or imply that the Government or any of its organizational units or employees endorses any product or services. Each Party agrees to provide proposed press releases that reference or rely upon the work under this CRADA to the other Party for review and comment at least five (5) business days before publication. Either Party may disclose the Title and Abstract of the CRADA to the public without the approval of the other Party.

13.11 **Reasonable Consent**. Whenever a Party's consent or permission is required under this CRADA, its consent or permission will not be unreasonably withheld.

13.12 **Export Controls**. Collaborator agrees to comply with U.S. export law and regulations, including 21 U.S.C. 382 and 21 CFR Part 312.110. If Collaborator has a need to transfer any CRADA Materials made in whole or in part by IC, or IC Materials, or IC's Confidential Information to a person located in a country other than the United States, to an Affiliate organized under the laws of a country other than the United States, or to an employee of Collaborator in the United States who is not a citizen or permanent resident of the United States, Collaborator will acquire any and all necessary export licenses and other appropriate authorizations.

13.13 **Entire Agreement**. This CRADA constitutes the entire agreement between the Parties concerning the subject matter of this CRADA and supersedes any prior understanding or written or oral agreement, including one Confidential Disclosure Agreement, NCI Ref.# 8141, between the Parties that was executed on December 4, 2009 to permit the exchange of information about TRC102. Upon execution of this CRADA, the CDA as it pertains to the Research Plan and this CRADA is hereby superseded and succeeded by the terms of this CRADA.

13.14 **Survivability**. The provisions of Paragraphs 3.3, 3.4, 3.8, 4.2, 4.3, 4.4, 5.3, 5.4, 6.1-9.2, 10.3-10.6, 11.1, 11.2, 12.1-12.3, 13.1-13.3, 13.7, 13.10 and 13.14 will survive the expiration or early termination of this CRADA.

SIGNATURES BEGIN ON THE NEXT PAGE

SIGNATURE PAGE
ACCEPTED AND AGREED

BY EXECUTING THIS AGREEMENT, EACH PARTY REPRESENTS THAT ALL STATEMENTS MADE HEREIN ARE TRUE, COMPLETE, AND ACCURATE TO THE BEST OF ITS KNOWLEDGE. COLLABORATOR ACKNOWLEDGES THAT IT MAY BE SUBJECT TO CRIMINAL, CIVIL, OR ADMINISTRATIVE PENALTIES FOR KNOWINGLY MAKING A FALSE, FICTITIOUS, OR FRAUDULENT STATEMENT OR CLAIM.

FOR IC:

/s/ James H. Doroshow, M.D. — 7/31/12
James H. Doroshow, M.D. — Date
Deputy Director, National Cancer Institute

FOR COLLABORATOR:

/s/ Charles Theuer, M.D., Ph.D. — 8/7/12
Charles Theuer, M.D., Ph.D — Date

CONTACTS INFORMATION PAGE

CRADA Notices

For IC:

Sherry S. Ansher, Ph.D.
Regulatory Affairs Branch
Cancer Therapy Evaluation
Program, DCTD, NCI
6130 Executive Blvd, Suite 7111
Rockville, MD 20852
Email: anshers@mail.nih.gov
Tel: 301-496-7912
Fax: 301-402-1584

For Collaborator:

Charles Theuer, M.D., Ph.D.
TRACON Pharmaceuticals
8910 University Center Lane
San Diego, CA 92122
Email: ctheuer@traconpharma.com
Tel: 858 5500780
Fax: 858 5500786

Patenting and Licensing

For IC:

Division Director, Division of Technology
Development and Transfer
NIH Office of Technology Transfer
6011 Executive Boulevard, Suite 325
Rockville, Maryland 20852-3804
Tel: 301-496-7057
Fax: 301-402-0220

For Collaborator (if separate from above):

Delivery of Materials Identified In Appendix B (if any)

For IC:
N/A

For Collaborator:
N/A

Investigational Agent Delivery

For IC:
Mr. Charles Hall
Pharmaceutical Management
Branch, CTEP, DCTD, NCI
6130 Executive Blvd, Suite 7149
Rockville, MD 20852
Tel: 301-496-5725
e-mail: hallch@mail.nih.gov

For Collaborator:
Sharon Real, Ph.D.
TRACON Pharmaceuticals
8910 University Center Lane
San Diego, CA 92122
Email: sreal@traconpharma.com
Tel: 858 5500780
Fax: 858 5500786

Investigator's Brochure

For IC:

IB Coordinator,
Pharmaceutical Management Branch,
CTEP, DCTD, NCI
6130 Executive Blvd, Suite 7149
Rockville, MD 20852
Tel: 301-496-5725
e-mail: IBCoordinator@mail.nih.gov

For Collaborator:

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TRACON Pharmaceuticals
8910 University Center Lane
San Diego, CA 92122
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Tel: 858 5500780
Fax: 858 5500786

Review of Manuscripts and Abstracts

For IC:	For Collaborator:
NCICTEPpubs@mail.nih.gov	e-mail: ctheuer@traconpharma.com

Adverse Events, Safety Reports

For IC:	For Collaborator:
CTEPSupportAE@tech-res.com	ctheuer@traconpahrma.com

Protocols, LOIs

For IC:	For Collaborator:
CTEPprotcolcomments@tech-res.com	ctheuer@traconpharma.com

SUMMARY PAGE

EITHER PARTY MAY, WITHOUT FURTHER CONSULTATION OR PERMISSION, RELEASE THIS SUMMARY PAGE TO THE PUBLIC.

TITLE OF CRADA: Clinical Development of Tracon Pharmaceuticals, Inc.'s Compound TRC102 (methoxyamine HCl), a Small Molecule Inhibitor of Base Excision Repair, as an Anti-Cancer Agent

PHS [IC] Component:	National Cancer Institute
NIH CRADA Extramural Investigator/Officer(s):	Drs. Alice Chen and Jeffrey Abrams
Collaborator:	Tracon Pharmaceuticals, Inc.
CRADA Collaborator Principal Investigator:	Dr. Charles Theuer
Term of CRADA:	five (5) years from the Effective Date

ABSTRACT OF THE RESEARCH PLAN:

Tracon Pharmaceuticals, Inc. and the National Cancer Institute have entered into a Cooperative Research and Development Agreement ("CRADA") under which they will collaborate on the non-clinical and clinical development of TRC 102 (methoxyamine HCl), a small molecule inhibitor of base excision repair, as an anti-cancer agent.

APPENDIX A: RESEARCH PLAN

Title of CRADA
Clinical Development of TRACON Pharmaceuticals, Inc.'s Compound TRC102 (methoxyamine HCl), a Small Molecule Inhibitor of Base Excision Repair, as an Anti-Cancer Agent

NIH CRADA Extramural Investigator/Officer(s)
Dr. Alice Chen
Dr. Jeffrey Abrams

CRADA Collaborator Principal Investigator
Dr. Charles Theuer

Term of CRADA
Five (5) years from the Effective Date

1. RESEARCH GOAL OF CRADA

The overall goal of this research project is to collaborate with TRACON Pharmaceuticals, Inc. (Tracon or Collaborator) on the non-clinical and clinical development of TRC102 (Investigational Agent, also known as methoxyamine HCl), to demonstrate its safety and efficacy in patients with […***…].

2. SCIENTIFIC BACKGROUND

Base-excision repair (BER) is a key resistance mechanism employed by cancer cells to survive chemotherapy-induced DNA damage, and inhibiting BER improves the therapeutic index of these agents in preclinical models. TRC102 (methoxyamine hydrochloride) is an inhibitor of BER with a unique mechanism of action. TRC102 exerts its effect by rapidly and covalently binding to chemotherapy-induced apurinic/apyrimidinic (AP) sites generated by glycosylase removal of abnormal bases. TRC102-bound DNA is no longer a substrate for BER enzymes and is instead irreversibly cleaved by topoisomerase II resulting in double-strand DNA breaks that trigger cellular apoptosis. The induction of apoptosis by TRC102 is selective for cancer cells because they express high levels of topoisomerase II. In normal cells with low topoisomerase II expression, TRC102-bound DNA is predominantly excised and replaced with normal DNA by the long patch DNA repair system. The efficacy of TRC102 is independent of tumor O-6-methylguanine-DNA methyltransferase (MGMT) expression, mismatch repair status, or p53 status.

TRC102 is synergistic with a wide variety of cancer therapies including antimetabolites, oxidizing agents, alkylating agents, and poly ADP ribose polymerase (PARP) inhibitors. The active molecule is a small organic amine that is highly water soluble and nearly completely bioavailable after oral administration.

3. BACKGROUND AND CONTRIBUTIONS OF COLLABORATOR

TRACON Pharmaceuticals, Inc. is a biopharmaceutical company that licenses, develops, and commercializes targeted therapies for cancer and age-related macular degeneration. The current pipeline takes advantage of established platform technologies to block novel pathways implicated in cancer growth and angiogenesis. Tracon is headquartered in San Diego, California.

Methoxyamine HCl is an open compound without any composition of matter patent protection. Tracon has obtained intellectual property covering its methods of use in combination with anticancer chemotherapy agents in oncology and identified the compound as TRC102.

Nonclinical Development by Tracon
Tracon has conducted *in vitro* and *in vivo* studies evaluating TRC102. TRC102 has the ability to potentiate the activity of chemotherapy agents. […***…]

Clinical Development of TRC102

Three phase 1 studies of TRC102 have been conducted as summarized below:

A phase 1 study of TRC102 (oral formulation) plus pemetrexed was completed in 2010. Eligible patients had advanced solid tumors and were initially administered single-agent oral TRC102 daily for four days. Two weeks later, patients began standard-dose pemetrexed on day 1 in combination with oral TRC102 on days 1 to 4. The TRC102/pemetrexed combination was repeated on a 3 week cycle. Twenty-eight patients were treated with TRC102 at 15, 30, 60 or 100 mg/m2/d x 4 days. The maximum tolerated dose (MTD) was exceeded at 100 mg/m2 due to […***…] In summary, TRC102 was well tolerated at 30-60 mg/ m^2 daily for four days and was associated with clinical and pharmacodynamic evidence of activity.

A second ongoing phase 1 study is evaluating i.v. (intravenous formulation) TRC102 plus oral temozolomide in patients with […***…]

[…***…]. These preliminary findings suggest that TRC102 can be safely administered by i.v. infusion.

A third phase 1 trial is evaluating i.v. TRC102 plus i.v. fludarabine in […***…] at the Case Cancer Center. The goal of this study, which recently opened for accrual, is to confirm preclinical pharmacodynamic and efficacy data for the combination.

4. DESCRIPTION OF THE CRADA RESEARCH PLAN

The Division of Cancer Treatment and Diagnosis (DCTD), NCI and Collaborator are interested in the evaluation of Investigational Agent in a clinical development program that includes various tumor types. DCTD will sponsor Investigational Agent phase 1 and phase 2 clinical

trials that will help determine the safety, efficacy and the potential spectrum of Investigational Agent anti-tumor activity. DCTD and Collaborator are also interested in evaluating Investigational Agent in combination with other novel investigational agents.

Specifically, initial DCTD-sponsored clinical trials will include the following:

· […***…]
· A phase 1 combination study of TRC102 plus temozolomide
· […***…]
· A phase 2 […***…] study of pemetrexed and TRC102 in […***…]
· A phase 2 study of temozolomide plus TRC102 in glioblastoma multiform (GBM) […***…]

As data from the initial studies emerge, DCTD and Collaborator will discuss additional clinical trials to complement and support the development of Investigational Agent. Additional studies will be with the mutual agreement and approval of the parties.

DCTD may also support intramural and extramural Non-Clinical Studies that focus on identifying assays for monitoring the biologic activity of Investigational Agent, as well as studies for combination of Investigational Agent with other anti-cancer agents. These Non-Clinical Studies are aimed to support the clinical trials that will be conducted under the CRADA, and might involve convening a meeting of scientific experts and ultimately sponsoring core laboratories with expertise in the performance of appropriate assays with patient material.

In addition, DCTD may also support assay development via internal mechanisms (DCTD Clinical Support Assays). These assays (described below) will be conducted using internal NCI resources and are intended to further the clinical development of

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Investigational Agent and provide information regarding targets and assay development to the broader research community.

5. RESPECTIVE CONTRIBUTIONS OF THE PARTIES

A. Joint Responsibilities

1. Steering Committee and Communication Plan

A Steering Committee will be employed by the Parties to exchange information and data and to discuss and to plan the proposed and ongoing clinical research. The Steering Committee shall be comprised of at least the NIH CRADA Extramural Investigator/Officer(s) and the CRADA Collaborator PI from both Parties. In addition , other NCI and Collaborator staff with expertise in toxicology, pharmacology, pharmaceutical development, project management and other disciplines as pertinent to the current development stage of the Investigational Agent at the time of the meeting will be participating members. Both Parties shall report regularly to the Steering Committee on the progress of the clinical research and development efforts covered by this CRADA, will review the current progress, and will make any required decisions. The routes of communication, format of written minutes, etc. will be determined at the Steering Committee meetings and will be driven by the needs of the project.

Steering Committee meeting minutes summarizing all key decisions and issues under discussion will be provided to all the Steering Committee members and to the DCTD Division Director within ten (10) days of each meeting. Steering Committee decisions will be made by consensus.

In addition to the Steering Committee a Project Team comprised of NCI and Collaborator scientific members will be assembled for the purpose of discussing the DCTD Clinical Support Assays. This Project Team will be a collaborative body to approve projects described in Section 5C1 which outlines the DCTD Clinical Support Assays. This Project Team will be a collaborative body charged with the planning and successful execution of experimental objectives. It is intended that study areas approved by the Project Team will be broad enough in scope to allow all necessary experiments to realize the goal of said research without further approval from the Project Team. Submission of new projects/areas of inquiry will be addressed by the Project Teams within seven (7) days of receipt. Disagreements between DCTD and Collaborator will be discussed by the Steering Committee and/or Project Team who may recommend a course of action. In the event that Project Team is unable to reach consensus, it will be the Division Director’s responsibility to resolve any impasse. The Division Director will confer with representatives of the Collaborator before making any decision. Project Teams will meet quarterly, or more often if necessitated by results or submission of a new projects/area of inquiry.

2. The DCTD and Collaborator will explore the clinical utility of Investigational Agent for various cancers. As sensitive tumor types are identified, it will be

important to develop combinations of Investigational Agent and other active anti-cancer agents and to compare Investigational Agent and Investigational Agent combinations with standard therapy for these tumor types. Adjuvant studies may be important in diseases where Investigational Agent has activity and where there is a high risk of recurrence following initial primary therapy.

3. Both Parties shall collaborate in the collection and analysis of data generated under the Research Plan.

4. Both Parties will work closely together to ensure that the clinical studies move forward expeditiously.

B. Collaborator Responsibilities

[…***…]

[…***…]

C. DCTD Responsibilities

1. […***…]

[…***…]

5. Investigational Drug Steering Committee (IDSC)

The NCI Clinical Trials Working Group has mandated the formation of the Investigational Drug Steering Committee (IDSC). The IDSC is designed to provide DCTD with broad external scientific and clinical input for the design and prioritization of phase 1 and phase 2 trials with agents for which CTEP sponsors an IND. Membership of the IDSC includes the principal investigators of phase 1 U01 grants and phase 2 N01 contracts, representatives from the NCI Cooperative Groups, NCI staff members, and additional representatives with expertise in biostatistics, correlative science technologies, radiation oncology, etc., as well as patient advocates and community oncologists, as needed. Experts with specific expertise will be included as ad hoc members for consideration of specific agents. Periodically the IDSC will assess, from a strategic perspective, CTEP investigational agent development plans, agent portfolios, and LOIs submitted by investigators to determine whether the clinical development plan for an agent should be modified. When requested by CTEP, the IDSC will provide input on LOIs to assist in CTEP decision-making. All participating members will be vetted for conflict of interest and are under confidentiality agreements with DCTD.

The IDSC is described in greater detail on p. 23 of the report of the Cancer Trials Working Group of National Cancer Advisory Board (http://integratedtrials.nci.nih.gov/ict/CTWG_report_June2005.pdf).

[…***…]

[…***…]

6. RELATED INTELLECTUAL PROPERTY AND OTHER RELATED AGREEMENTS OF THE PARTIES

NCI Patents and Patents Applications:
None

Collaborator Patents and Patents Applications:

Tracon has obtained a worldwide, exclusive license to patents covering therapeutic uses of Methoxyamine from Case Western Reserve University. Tracon has also filed patents covering therapeutic uses of TRC102 (methoxyamine) with other therapeutics. TRC102 is disclosed and claimed in the following representative patents and patent applications. There are other issued patents and patent applications in the US, Europe and other countries not listed under this section.

[…***…]

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[…***…]

Related Agreements Between the Parties:

There is one Confidential Disclosure Agreement, NCI Ref.# 8141, between the Parties that was executed on December 4, 2009 to permit the exchange of information about TRC102. Upon execution of this CRADA, the CDA as it pertains to the Research Plan and this CRADA is hereby superseded and succeeded by the terms of this CRADA.

There are no Material Transfer Agreements, Clinical Trial Agreements, or other Cooperative Research and Development Agreements or Materials Cooperative Research and Development Agreements between the Parties that are related to this CRADA.

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APPENDIX B

Financial and Staffing Contributions of the Parties

For NIH:

The NCI will conduct clinical and Non-Clinical Studies of Investigational Agent under its intramural and extramural research program and DCTD Clinical Support Assays as described in Appendix A. The NCI estimates that one to three person-years per year of effort will be dedicated to its participation in the Non-Clinical Studies, DCTD Clinical Support Assays, clinical studies, Steering Committee meetings, updates to its IND, compiling data, and drug management and monitoring in support of the clinical trials. PHS shall, in addition to its Principal Investigators provide sufficient staffing to execute and fulfill the obligations of the CRADA.

NCI will provide no funding to Collaborator for collaborative research and development pursuant to this CRADA, inasmuch as financial contributions by the U.S. government to non-Federal parties under a CRADA is prohibited under the Federal Technology Transfer Act of 1986 (15 U.S.C. 3710a(d)(I)).

For Collaborator:

Personnel:

Collaborator intends to commit one to three person-years per year of effort to permit the timely execution of the studies implemented under this CRADA. More specifically, this staffing shall include Collaborator full-time employees, consultants to the company, external contract agencies and contract research organizations. If Collaborator elects to perform any portion of the Research Plan through a contractor or consultant, Collaborator agrees to incorporate into such contract all provisions necessary to ensure that the work of such contractors or consultants is governed by the terms of the CRADA, including, but not limited to, the provision for the assignment of inventions of the contractor or consultant to Collaborator.

Clinical Data Collection Support Funding Directly to Contractors:

CTEP/DCTD utilizes the contract services of two companies for assistance in the monitoring of DCTD-sponsored clinical trials. Collaborator will be responsible for making arrangements directly with the appropriate DCTD contractors to receive reports from DCTD-sponsored trials. This will include quarterly reports, adverse event reports and summary reports. The contractor for the phase 2 and 3 studies will provide these reports electronically in a format compatible with Collaborator's database. The NCI phase 1 contractor will also provide reports directly to Collaborator. Contact information for each of the DCTD contractors will

be provided as needed. Any arrangement which involves the collection of more than the summarized data (Summary Data) provided annually to the DCTD will be at the expense of the Collaborator. Collaborator will make payment arrangements as necessary directly with such contractor(s).

Collaborator may make only reasonable requests for access to CRADA Data and Raw Data or any other information that is in the possession of NCI Extramural Investigators. The information will be provided according to a mutually agreed upon plan between the NCI, the Collaborator, and the NCI Extramural Investigator(s), and only in accordance with the guidelines and policies of the responsible Data Monitoring Committee. Collaborator will be responsible for the costs associated with any unusually burdensome requests, such as a request that the data be provided in a format which is different than that normally collected. Should Collaborator choose to review copies of patient case report forms, such a

review will be at Collaborator's expense and occur after notification and agreement of the NCI Extramural Investigators and only after all patient identifiers have been removed.

Funding to NCI:

(1) CTEP/DCTD utilizes contract services for assistance in carrying out its responsibilities as a sponsor of clinical trials. Collaborator agrees to provide $20,000.00 per year per phase 1 and $25,000 per year per phase 2 clinical trial, wherein a year is defined as 365 days, submitted to a DCTD IND during the term of the CRADA to supplement the CTEP/DCTD support contract costs and other reasonable and necessary expenses incurred by NCI in carrying out its responsibilities under this CRADA as well as transportation and associated costs to support the participation of DCTD staff at selected scientific or development meetings, where such participation will substantially foster development of Investigational Agent.

- The number of active phase 1 and/or 2 clinical trials per year using Investigational Agent will not exceed […***…] and Collaborator's funding to support the clinical trials will be up to a maximum of $200,000 per year for the term of the CRADA. Funding for studies in excess of the […***…] clinical trials planned hereunder and that could be active at the same time will be by Amendment to the CRADA.

- Collaborator and DCTD must mutually agree to the travel activities that are appropriate under this Agreement. Travel costs are limited by the Federal Travel Rules and Regulations for all government staff whether paid for by government funds or CRADA funds. Collaborator may provide direct support, under the 348 travel mechanism, for the travel and lodging costs for attendance of NCI staff at selected scientific or development meetings. Both Collaborator and NCI must agree that the activities would be appropriate under this Agreement and acceptance of Collaborator's support of NCI's participation in the activities will be contingent upon appropriate NCI approval. Travel costs for such travel are also limited by the Federal Travel Rules and Regulations for all government staff whether paid for by government funds or Collaborators.

(2) Collaborator may provide up to $[…***…] per year during the term of the CRADA to support Biomarker studies, analytical assays, those focusing on identifying new assays for monitoring the biological activity of Investigational Agent and correlative studies associated with clinical Protocols which are approved by both Parties and made a part of the Research Plan. Such funds may be used for but are not limited to, costs of tissue biopsies, including sample acquisition, storage and shipping costs.

(3) Collaborator also agrees to provide a one-time payment of $20,000.00 for the initial IND filing during the term of the CRADA to support regulatory filings by CTEP and provide one-time payments of $10,000.00 per investigational agent provided by Collaborator for additional IND filings to support any additional regulatory filings by CTEP.

(4) If DCTD supplies Investigational Agent for additional mutually approved clinical trials under this CRADA, which are beyond the studies described in Section 4 of this CRADA Appendix A, Collaborator agrees to reimburse DCTD for the cost associated with DCTD's manufacturing of the Investigational Agent for the additional studies and the cost associated with the additional trials. The amount of Collaborator funding and payment schedule for studies in this paragraph will be determined in an amendment to this CRADA. Collaborator's payment can be deferred until such time as the Collaborator has: (i) […***…]; or (ii) […***…]; or (iii) […***…], whichever is the earlier. At the end of this deferment period, the Parties will mutually agree to a payment schedule.

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Collaborator's payment schedule will be as follows:

At the end of each calendar year during the term of this CRADA, Collaborator will receive an invoice from NCI for funding to support activities (1) and (2) above. Collaborator will make a payment in January of the following year. The payment will be prorated for all studies activated or completed in the previous calendar year. The payment to support (3) above will be included in the invoice at the end of the year a DCTD IND is filed.

Any additional funding will not be added to this CRADA without an appropriate written executed Amendment pursuant to Article 13.6.

No funds provided under this CRADA by Collaborator will be used by NCI to pay the salary of full-time tenured federal employees.

Payment Information:

Checks for monies payable directly to the NCI should be made payable to the National Cancer Institute and addressed to the individual identified under IC CRADA Notices on the Contacts Information Page.

All checks should be marked with a clear reference to the NCI CRADA Number and Title: CRADA #12- 1-00012, "Clinical Development of TRACON Pharmaceuticals, Inc.'s Compound TRC102 (methoxyamine HCl), a Small Molecule Inhibitor of Base Excision Repair, as an Anti-Cancer Agent."

Should NCI require electronic deposit of any monies payable under this CRADA NCI agrees to provide Collaborator with the appropriate account information.

Materials/Equipment Contributions:

NCI will not provide IC Materials for use under this CRADA and Collaborator will not provide Collaborator Materials for use under this CRADA. If NCI decides to provide IC Materials for use under this CRADA, or if Collaborator decides to provide Collaborator Materials for use under this CRADA, those materials will be transferred under a cover letter that identifies them and states that they are being provided under the terms of the CRADA. Collaborator will not provide capital equipment for use under this CRADA.

MATERIAL TRANSFER AGREEMENT

Provider: Division of Cancer Treatment and Diagnosis, National Cancer Institute

Recipient: University School of Medicine

Recipient's Investigator: Dr. John Doe, Ph.D., as an employee of the University School of Medicine

1. Provider agrees to transfer to Recipient's Investigator the following Research Material:

1.0 mg of Agent X (NSC 00000), an agent proprietary to Company A, Inc. (Collaborator)

2. THIS RESEARCH MATERIAL MAY NOT BE USED IN HUMANS. The Research Material will only be used for research purposes by Recipient's Investigator in his/her laboratory, for the Research Project described below, under suitable containment conditions. This Research Material will not be used by for-profit recipients for screening, production or sale, for which a commercialization license may be required. Recipient agrees to comply with all Federal rules and regulations applicable to the Research Project and the handling of the Research Material.

2(a). Is Research Material of human origin?

_____ Yes
_____ No

2(b). If yes in 2(a), was Research Material collected according to 45 CFR Part 46, "Protection of Human Subjects"?

_____ Yes (Please provide Assurance Number: _____)
_____ No
_____ Not Applicable

3. This Research Material will be used by Recipient's Investigator solely in connection with the following research project ("Research Project") described with specificity as follows (use an attachment page if necessary):

This Research Material will be used for preclinical studies investigating the effects of the Research Material in a cancer cell line.

3(a). Are any materials used in the Research Project of human origin?

_____ Yes
_____ No

3(b). If yes in 3(a), were human-origin materials collected according to 45 CFR Part 46, "Protection of Human Subjects"?

_____ Yes (Please provide Assurance Number: _____)
_____ No
_____ Not Applicable

4. (a). To the extent permitted by law, Recipient agrees to treat in confidence, for a period of […***…] years from the date of its disclosure, any of Provider's or Collaborator's written information about this Research Material that is stamped "CONFIDENTIAL," except for information that was previously known to Recipient or that is or becomes publicly available or which is disclosed to Recipient without a confidentiality obligation. Any oral disclosures to Recipient shall be identified as being CONFIDENTIAL by written notice delivered to Recipient within thirty (30) days after the date of the oral disclosure.

4. (b). Recipient may publish or otherwise publicly disclose the results of the Research Project, however Collaborator will have thirty (30) days to review proposed manuscripts and three (3) days to review proposed abstracts to assure that CONFIDENTIAL Information is protected, except when a shortened time period under court order or the Freedom of Information Act pertains. Collaborator may request in writing that a proposed publication be

delayed for up to thirty (30) additional days as necessary to file a Patent Application. Manuscripts to be submitted for publication by Recipient's Investigators will be sent to NCI's Regulatory Affairs Branch [NCICTEPpubs@mail.nih.gov] for forwarding to Collaborator for review as soon as they are received and in compliance with the timelines outlined above. Abstracts to be presented by Recipient's Investigators will be sent to NCI's Regulatory Affairs Branch [NCICTEPpubs@mail.nih.gov] for forwarding to Collaborator as soon as they are received, preferably no less than three days prior to submission, but prior to presentation or publication, to allow for preservation of U.S. or foreign patent rights. In all oral presentations or written publications concerning the Research Project, Recipient will acknowledge Provider's or Collaborator's contribution of this Research Material unless requested otherwise.

5. This Research Material is proprietary to Collaborator. Collaborator has agreed to allow NCI to make their proprietary compound available for this Research Project. Recipient's Investigator agrees to retain control over this Research Material and further agrees not to transfer the Research Material to other people not under her or his direct supervision without advance written approval of Provider. When the Research Project is completed, the Research Material will be disposed of, if directed by Provider.

6. This Research Material is provided as a service to the research community. IT IS BEING SUPPLIED TO RECIPIENT WITH NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Provider makes no representations that the use of the Research Material will not infringe any patent or proprietary rights of third parties.

7. Recipient shall retain title to any patent or other intellectual property rights in inventions made by its employees in the course of the Research Project. Recipient agrees not to claim, infer, or imply endorsement by the Government of the United States of America (hereinafter referred to as "Government") of the Research Project, the institution or personnel conducting the Research Project or any resulting product(s). Unless prohibited by law from doing so, Recipient agrees to hold the Government harmless and to indemnify the Government for all liabilities, demands, damages, expenses and losses arising out of Recipient's use for any purpose of the Research Material.

8. The undersigned Provider and Recipient expressly certify and affirm that the contents of any statements made herein are truthful and accurate.

9. This MTA shall be construed in accordance with Federal law as applied by the Federal courts in the District of Columbia.

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10. Results of the Research Project shall be provided to the Provider. Publications shall be provided to Provider and Collaborator as described in Article 4.

11. Recipient ("Institution") agrees to notify Provider and Collaborator upon the filing of any patent applications related to research with this Research Material under this Agreement and abide by the following terms of the Intellectual Property Option to Collaborator:

Institution agrees to promptly notify the Provider (NCI) and Collaborator in writing of any inventions, discoveries or innovations made by the Recipient's Investigator or any other employees or agents of Institution, whether patentable or not, which are conceived or first actually reduced to practice pursuant to the Research Project.

For inventions described in patent disclosures that claim the use and/or the composition of the Research Material(s) pursuant to the Research Project (Section A Inventions), Institution agrees to grant to Collaborator(s): (i) a royalty-free, worldwide, non-exclusive license for commercial purposes with the right to sub license to affiliates or collaborators working on behalf of Collaborator for Collaborator's development purposes; and (ii) a time limited first option to negotiate an exclusive, or co-exclusive, if applicable, world-wide, royalty bearing license for commercial purposes, including the right to grant sub licenses, subject to any rights of the Government of the United States of America, on terms to be negotiated in good faith by the Collaborator(s) and Institution. If Collaborator accepts the non-exclusive commercial license, the Collaborator agrees to pay all out of pocket patent prosecution and maintenance costs which will be pro-rated and divided equally among all licensees. If Collaborator obtains an exclusive commercial license, in addition to any other agreed upon licensing arrangements such as royalties and due diligence requirements, the Collaborator agrees to pay all out of pocket patent prosecution and maintenance costs. Collaborator(s) will notify Institution, in writing, if it is interested in obtaining a commercial license to any Section A Invention within […***…] months of Collaborator's receipt of a patent application or […***…] months of receipt of an invention report notification of such a Section A Invention. In the event that Collaborator fails to so notify Institution, or elects not to obtain an exclusive license, then Collaborator's option expires with respect to that Section A Invention, and Institution will be free to dispose of its interests in accordance with its policies. If Institution and Collaborator fail to reach agreement within […***…] days, (or such additional period as Collaborator and Institution may agree) on the terms for an exclusive license for a particular Section A Invention, then for a period of […***…] months thereafter Institution agrees not to offer to license the Section A Invention to any third party on materially better terms than those last offered to Collaborator without first offering such terms to Collaborator, in which case Collaborator will have a period of […***…] days in which to accept or reject the offer. If Collaborator elects to negotiate an exclusive commercial license to a Section A Invention, then Institution agrees to file and prosecute patent application(s) diligently and in a timely manner and to give Collaborator an opportunity to comment on the preparation and filing of any such patent application(s). Notwithstanding the above, Institution is under no obligation to file or maintain patent prosecution for any Section A Invention.

For those inventions not covered by Section A, but are nevertheless conceived or first actually reduced to practice pursuant to the Research Project and to those inventions that are conceived or first actually reduced to practice pursuant to the Research Project that use non- publicly available clinical data or specimens from patients treated with the NCI-provided Research Material (including specimens obtained from NCI DCTD-funded tissue banks) (Section B Inventions), Institution agrees to grant the following to the collaborator: (i) a paid-up nonexclusive nontransferable, royalty-free, world-wide license to all Section B Inventions for

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research purposes only; and (ii) a nonexclusive, royalty-free, world-wide license to (a) disclose Section B Inventions to a regulatory authority when seeking marketing authorization of the Research Material and (b) disclose Section B Inventions on a product insert or other promotional material regarding the Research Material after having obtained marketing authorization from a regulatory authority. Notwithstanding the above, Institution is under no obligation to file or maintain patent prosecution for any Section B Invention.

For all Section A and Section B Inventions, regardless of Collaborator's decision to seek a commercial license, Institution agrees to grant Collaborator a paid-up, nonexclusive, royalty- free, world-wide license for research purposes only. Institution retains the right to make and use any Section A Invention for all non-profit research, including for educational purposes and to permit other educational and non-profit institutions to do so.

Institution agrees, at Collaborator's request and expense, to grant to Collaborator a royalty-free exclusive or co-exclusive license to inventions made by Institution's Investigator(s) or any other employees or agents of Institution, which are or may be patentable or otherwise protectable, as a result of research utilizing the Research Material(s) outside the scope of the NCI DCTD Research Project (Unauthorized Inventions). Institution will retain a non-exclusive, non- sub-licensable royalty free license to practice the invention for research use purposes.

Institution agrees to promptly notify NCI DCTD (NCICTEPpubs@mail.nih.gov) and Collaborator(s) in writing of any Section A Inventions, Section B Inventions, and Unauthorized Inventions upon the earlier of: (i) any submission of any invention disclosure to Institution of a Section A, Section B, or Unauthorized Invention, or (ii) the filing of any patent applications of a Section A, Section B, or Unauthorized Invention. Institution agrees to provide a copy of either the invention disclosure or the patent application to the Collaborator and to NCI DCTD which will treat it in accordance with 37 CFR Part 401. These requirements do not replace any applicable reporting requirements under the Bayh-Dole Act, 35 USC 200-212, and implementing regulations at 37 CFR Part 401.

12. This Agreement shall terminate two (2) years from the date of the last signature below.

Signatures Begin on Next Page

SIGNATURES

RECIPIENT

Date _____ John Doe, Ph.D.

Date _____ Authorized Signature for Recipient and Title

Recipient's Official and Mailing Address:

John Doe, Ph.D.
Associate Professor
Department of Biochemistry
University School of Medicine
City, State, Zip
Phone:

NATIONAL CANCER INSTITUTE

Date _____ Sherry Ansher, Ph.D. Associate Chief, Agreement Coordination Group

Date _____ Jason Cristofaro, J.D., Ph.D CTEP Alternate Technology Development Coordinator

Please address all correspondence related to this agreement to Sally Hausman at the following address by express mail:

Sally Hausman

Senior Specialist, Research and Development Agreements
Regulatory Affairs Branch
Cancer Therapy Evaluation Program
Executive Plaza North, Suite 7111
6130 Executive Blvd.
Rockville, MD 20852-7181

Any false or misleading statements made, presented, or submitted to the Government, including any relevant omissions, under this Agreement and during the course of negotiation of this Agreement are subject to all applicable civil and criminal statutes including Federal statutes 31 U.S.C. §§ 3801-3812 (civil liability) and 18 U.S.C. § 1001 (criminal liability including fine(s) and/or imprisonment).

Standard TUFTS MC Form
Sponsored Research Agreement

***Text Omitted and Filed Separately with
the Securities and Exchange Commission.
Confidential Treatment Requested Under
17 C.F.R. Sections 200.80(b)(4) and 230.406.

SPONSOR:	TRACON Pharmaceuticals, Inc.
SPONSOR CONTACT:	Charles Theuer, MD, PhD
PRINCIPAL INVESTIGATOR:	**[**…***…]
TUFTS MC CONTACT:	Frederick M. Frankhauser, JD, MBA

SPONSORED RESEARCH AGREEMENT

This Sponsored Research Agreement (together with Exhibits A, B, C and D the "Agreement") is effective as of December 16, 2014 ("Effective Date") by and between the Tufts Medical Center, Inc., a not-for-profit Massachusetts corporation having offices at the 800 Washington Street, Box 817, Boston, MA 02111 ("Tufts MC"), and TRACON Pharmaceuticals, Inc., a Delaware corporation with a principal place of business at 8910 University Center Lane, Suite 700, San Diego, CA 92122 ("Sponsor").

1. Background. Sponsor desires to have Tufts MC undertake a research project in accordance with the scope of work described in **Exhibit A** attached hereto. The performance of such research is of mutual interest to Sponsor and Tufts MC, and is consistent with the research goals of Tufts MC as a non-profit, tax-exempt institution.

2. The Research. Tufts MC agrees to use its reasonable efforts to perform the research program described in **Exhibit A** (the "Research").

2.1 Research Term. The term for performance of the Research will begin with the Effective Date and continue for a period of four months ("Research Term") and may be extended only by written agreement signed by authorized representatives of the parties.

2.2 Personnel. The Research will be conducted under the direction of […***…], ("Principal Investigator") at the Tufts MC. Sponsor's technical representative responsible for scientific oversight will be Charles Theuer or such other representative as Sponsor may subsequently designate in writing.

2.3 Reports. Upon completion of the Research, Principal Investigator will provide Sponsor with a written final report summarizing the Research results (the date of delivery of such final report, the "Delivery Date"). Sponsor shall have the right to use any and all data contained in the written final report of the Research for any purpose contained in the field as described in the Exclusive License Termsheet (Exhibit D). Tufts MC shall own the data from or results of the Research.

2.4 Materials. Sponsor will provide certain materials and related information described in **Exhibit A** attached hereto ("Sponsor Materials") to the Principal Investigator at Tufts MC for use in the Research. Tufts MC hereby acknowledges that, as between Sponsor and Tufts MC, Sponsor is the sole owner or licensee of the Sponsor Materials. Tufts MC shall use the Sponsor Materials, and any information and other materials directly

derived therefrom, solely for the Research. Tufts MC shall not use the Sponsor Materials, or any information or other materials directly derived therefrom, for any other purpose. Tufts MC shall comply with all laws and governmental rules, regulations and guidelines which are applicable to the Sponsor Materials or the use thereof. Tufts MC shall not transfer the Sponsor Materials, or any information or other materials directly derived therefrom, to any third party without the prior express written consent of Sponsor. Tufts MC shall limit transfer and disclosure of the Sponsor Materials, and any information or other materials on a need to know basis, as reasonably necessary for the Research, to its employees and agents who are bound in writing with Tufts MC to hold in confidence and not make use of the Sponsor Materials, and such information and other materials, for any purpose other than such purpose. Tufts MC shall notify Sponsor promptly upon discovery of any unauthorized use or disclosure of the Sponsor Materials. Tufts MC hereby acknowledges that the Sponsor Materials are experimental in nature and that they are provided "AS IS." SPONSOR MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE SPONSOR MATERIALS OR THE USE THEREOF. Tufts MC's use and evaluation of the Sponsor Materials shall be at its own risk. Tufts MC shall hold harmless and indemnify Sponsor against any and all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) of every kind arising from the use by Tufts MC of the Sponsor Materials, unless such claims arise as a direct result of the gross negligence or willful misconduct of Sponsor.

Tufts MC will provide certain materials and related information described in **Exhibit A** attached hereto ("Tufts MC Materials") to Sponsor for use in the Research. Sponsor hereby acknowledges that, as between Sponsor and Tufts MC,

Tufts MC is the sole owner or licensee of the Tufts MC Materials. Sponsor shall use the Tufts MC Materials, and any information and other materials directly derived therefrom, solely for the Research. Sponsor shall not use the Tufts MC Materials, or any information or other materials directly derived therefrom, for any other purpose. Sponsor shall comply with all laws and governmental rules, regulations and guidelines which are applicable to the Tufts MC Materials or the use thereof. Sponsor shall not transfer the Tufts MC Materials, or any information or other materials directly derived therefrom, to any third party without the prior express written consent of Tufts MC. Sponsor shall limit transfer and disclosure of the Tufts MC Materials, and any information or other materials on a need to know basis, as reasonably necessary for the Research, to its employees and agents who are bound in writing with Sponsor to hold in confidence and not make use of the Tufts MC Materials, and such information and other materials, for any purpose other than such purpose. Sponsor shall notify Tufts MC promptly upon discovery of any unauthorized use or disclosure of the Tufts MC Materials. Sponsor hereby acknowledges that the Tufts MC Materials are experimental in nature and that they are provided "AS IS." TUFTS MC MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE TUFTS MC MATERIALS OR THE USE THEREOF. Sponsor's use and evaluation of the Tufts MC Materials shall be at its own risk. Sponsor shall hold harmless and indemnify Tufts MC against any and all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) of every kind arising from the use by Sponsor of the Tufts

MC Materials, unless such claims arise as a direct result of the gross negligence or willful misconduct of Tufts MC.

3. Funding.

3.1 **Amount of Funding**. As consideration for the conduct of the Research by Tufts MC, Sponsor will fund the Research in accordance with the budget set forth in **Exhibit B**. The aggregate of all payments to Tufts MC for the Research (the "Award") will not exceed the amount set forth in **Exhibit B** without the prior written agreement of both parties. Tufts MC will not be obligated to expend funds in excess of the Award to conduct the Research. Tufts MC will not be required to submit any separate budget justification or confirmation of expenditure to Sponsor in connection with the application of the payments made by Sponsor to Tufts MC under this Agreement. Payments made by Sponsor under this Agreement are not refundable.

3.2 **Payments**. Sponsor will make payments to Tufts MC in accordance with the payment schedule as set forth in **Exhibit B**.

3.3 **Equipment.** Title to equipment provided under this Agreement, or purchased or made by Tufts MC in the performance of the Research will vest in […***…].

4. Intellectual Property.

4.1 **Pre-existing Intellectual Property**. Ownership of inventions, discoveries, works of authorship and other developments existing as of the Effective Date hereof, and all patents, copyrights, trade secret rights and other intellectual property rights therein (collectively, "Pre-existing Intellectual Property"), are not affected by this Agreement, and neither party shall have any claims to or rights in any Pre-existing Intellectual Property of the other party, except as may be otherwise expressly provided in Exhibit D, upon execution between the parties. Notwithstanding the foregoing, the Pre-existing Intellectual Property of Tufts MC shall be further described in Exhibit C and shall hereinafter be referred to as "Tufts MC Pre-existing Intellectual Property".

4.2 **Disclosure and Ownership**. Tufts MC will promptly disclose to Sponsor all inventions, discoveries, improvements, designs, processes, formulations, products, computer programs, works of authorship, databases, mask works, trade secrets, and know-how (whether or not patentable or subject to copyright or trade secret protection) first conceived or reduced to practice during the performance of the Research (each an "Invention"). Inventorship of all Inventions will be determined in accordance with United States patent law whether or not the Invention is patentable. Ownership shall follow inventorship. Inventions that are solely conceived or reduced to practice by employees of Tufts MC will be solely owned by Tufts MC ("Tufts MC Inventions"). Inventions that are jointly conceived or reduced to practice by employees of Tufts MC and of Sponsor will be jointly owned ("Joint Inventions").

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4.3 **Patents**.

4.3.1 **Tufts MC Inventions**. Upon Sponsor's written request and at Sponsor's expense, Tufts MC will cause patent applications to be filed and prosecuted on any patentable Tufts MC Invention. Alternatively, Tufts MC may notify Sponsor of its intent to file a patent application for a patentable Tufts MC Invention. If Sponsor does not agree, within […***…] days after such notification, to pay for the reasonable costs to file, prosecute and maintain patent

application(s) covering such Tufts MC Invention, Tufts MC may file at its own expense and Sponsor will have no further rights to such Tufts MC Invention.

4.3.2 Joint Inventions. Tufts MC and Sponsor will discuss whether to file, prosecute and maintain patent applications and patents on any Joint Invention within […***…] days after invention disclosure. If Sponsor and Tufts MC agree to file patent applications on any Joint Invention, Sponsor will, at its own expense, fie, prosecute and maintain any patent application or patent covering a Joint Invention. Sponsor and Tufts MC agree that the final decisions on the scope and content of all patent applications covering Joint Inventions and their prosecution will be made jointly by Sponsor and Tufts MC within […***…] days. If Sponsor elects not to file a patent application for any Joint Invention, Tufts MC may, at its option, elect to file, prosecute and maintain patent applications and patents on such Joint Invention at Tufts MC's own expense, and Sponsor will have no rights to Tufts MC's interest in such Joint Invention, including under Sections 4.5 and 4.6 below. As joint owners of Joint Inventions, each of Tufts MC and Sponsor may practice and grant others the right to practice Joint Inventions without the consent of or a duty of accounting to the other party, subject to Sections 4.4 and 4.5 and the parties' Agreement identified in Exhibit D.

4.3.3 Patent Cooperation. Tufts MC will provide Sponsor with copies of all material documentation with respect to patent applications paid for by Sponsor and will consult with Sponsor with respect to the content thereof. Sponsor agrees that final decisions on the scope and content of all patent applications covering Tufts MC Inventions and their prosecution will be made by Tufts MC.

4.4 Licenses to Tufts MC Inventions. Tufts MC hereby agrees to grant to Sponsor an exclusive license to use any Tufts MC Invention and Tufts MC's ownership interest in any Joint Invention pursuant to the parties' Agreement in Exhibit D, the "Exclusive License Termsheet".

4.5 Option. Subject to Tufts MC's obligations to the U.S. Government, Tufts MC hereby grants to Sponsor a first option to include any patentable Tufts MC Invention or to Tufts MC's ownership interest in any patentable Joint Invention (the "Option") in the parties' Agreement identified in Exhibit D, the "Exclusive License Termsheet". The

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Option will extend for a period of […***…] days from the later of (a) the date of disclosure of the Invention to Sponsor or (b) the Delivery Date (the "Option Period").

4.6 Option Exercise. In order to exercise the Option with respect to a specific Invention, Sponsor must have previously paid or reimbursed Tufts MC for the reasonable expenses incurred by Tufts MC, if any, for the patent filing, prosecution and maintenance for the identified Invention. Sponsor will notify Tufts MC in writing prior to the end of the Option Period if it wishes to exercise the Option with respect to a specifically identified Invention. Upon receipt of such notice, Tufts MC agrees to include Tufts MC Invention or Tufts MC's ownership interest in any patentable Joint Invention in the negotiated terms of License Agreement identified in Exhibit D, the "Exclusive License Termsheet."

4.7 Licenses to Tufts MC's Pre-existing Intellectual Property. Tufts MC hereby agrees to grant to Sponsor an exclusive, paid-up license, to use any Tufts MC's Pre-existing Intellectual Property during the term of this Agreement in accordance with terms described in Exhibit D ("Exclusive License Termsheet"). Notwithstanding the foregoing, the parties also agree to negotiate in good faith to separately complete an exclusive royalty-bearing license to Tufts MC's Pre-existing Intellectual Property and the terms of such an exclusive license will be based upon the Exclusive License Termsheet, and anticipate concluding such exclusive license within […***…] days after the Delivery Date.

5. Confidentiality. It is anticipated that in the performance of this Agreement, Principal Investigator, Sponsor and Tufts MC may need to disclose to each other information, which is considered confidential. The rights and obligations of the parties with respect to such information are as follows: "Disclosing Party" shall mean a party that discloses Confidential Information under this Agreement. "Receiving Party" shall mean a party that receives Confidential Information under this Agreement. "Confidential Information" refers to information of any kind, other than data from or results of the Research, which is obtained by Receiving Party from Disclosing Party, which, by appropriate marking, is identified as confidential at the time of disclosure. In the event that Confidential Information must be provided visually or orally, obligations of confidence shall attach only to that information which is confirmed by Disclosing Party in writing within thirty (30) working days as being confidential.

For a period of five (5) years after the Effective Date of this Agreement, Receiving Party agrees to use reasonable efforts, no less than the protection given their own confidential information, to use Confidential Information received from Disclosing Party and accepted by Receiving Party only in accordance with this Section 5.

Notwithstanding the foregoing, the obligations of nondisclosure and non-use set forth above will not apply to information received by either party to this Agreement to the extent that such information:

(a) was known to the Receiving Party;
(b) thereafter becomes, through no fault of the Receiving Party, generally available to the public;
(c) was received by the Receiving Party from a third party not under an obligation of confidentiality to the Disclosing Party; or
(d) was independently developed by employees of the Receiving Party having no access to or knowledge of the Disclosing Party's confidential information.

If required, Receiving Party may disclose the Disclosing Party's confidential information to a governmental authority or by order of a court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like information and reasonable advance notice is given to the Disclosing Party.

6. Use of Names. Neither party will use the name or insignia, or any adaptation thereof, of the other party, or the name of any respective employee or agent, in any form of publicity or promotion without the prior written permission of the other. For Tufts MC, requests for permission will be directed in writing to the Director, Grants and Contracts, Tufts Medical Center, Inc., 800 Washington Street, Box 817, Boston, MA 02111. This restriction does not apply to standard internal reporting requirements of either party.

7. Publication. The Tufts MC participants in the Research have the right, at their sole discretion, to publish any results arising from the Research. In order to provide SPONSOR an opportunity to determine if any such publications contain patentable Inventions or SPONSOR Confidential Information, TUFTS MC will furnish SPONSOR with a copy of any proposed publication […***…] days in advance of the proposed submission date. If any such publication contains patentable Inventions, Tufts MC and Sponsor will cooperate regarding filing a patent application within […***…] days on such Inventions prior to publication in accordance with Section 4.3 and, at Sponsor's request, will remove any Sponsor Confidential Information.

7.1 **Filing of this Agreement.** The Parties will coordinate in advance with each other in connection with the filing of this Agreement (including redaction of certain provisions of this Agreement) with the SEC or any stock exchange or governmental agency on which securities issued by a Party or its Affiliate are traded, and each Party will use reasonable efforts to seek confidential treatment for the terms proposed to be redacted; provided that each Party will ultimately retain control over what information to disclose to the SEC or any stock exchange or other governmental agency, as the case may be, and provided further that the Parties will use their reasonable efforts to file redacted versions with any governing bodies which are consistent with redacted versions previously filed with any other governing bodies. Other than such obligation, neither Party (or its Affiliates) will be obligated to consult with or obtain approval from the other Party with respect to any filings to the SEC or any stock exchange or other governmental agency.

8. Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER

WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE CONDITION, ORIGINALITY OR ACCURACY OF THE RESULTS OF THE RESEARCH OR OF ANY INVENTIONS OR PRODUCTS BASED ON OR INCORPORATING AN INVENTION, WHETHER TANGIBLE OR INTANGIBLE; OR THE OWNERSHIP, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF SUCH RESEARCH RESULTS, INVENTIONS OR PRODUCTS. NEITHER PARTY SHALL BE LIABLE FOR ANY DIRECT, CONSEQUENTIAL OR OTHER DAMAGES SUFFERED BY THE OTHER PARTY OR ANY OTHERS RESULTING FROM THE USE OF ANY INVENTION OR PRODUCT BASED ON OR INCORPORATING AN INVENTION.

9. Indemnification and Insurance.

9.1 Indemnification. Sponsor agrees to indemnify, hold harmless and defend Tufts MC and its current and former directors, governing board members, trustees, officers, faculty, medical and professional staff, employees, students, affiliates and agents and their respective successors, heirs and assigns (collectively, the "Tufts MC Indemnitees"), against any liability, damage, loss or expenses (including reasonable attorneys' fees and expenses of litigation) incurred by or imposed upon the Tufts MC Indemnitees or any of them in connection with any claims, suits, actions, demands or judgments of any third party arising out of performance of the Research in accordance with this Agreement ("Covered Claims"). Sponsor will not be responsible for the indemnification or defense of the Tufts MC Indemnitees to the extent a Covered Claim is caused by the negligence or willful misconduct of any Tufts MC Indemnitees or any breach of this Agreement by Tufts MC. Tufts MC will notify Sponsor of any Covered Claim hereunder and Sponsor will, at its own expense, provide attorneys reasonably acceptable to Tufts MC to defend against such Covered Claim. The Tufts MC Indemnitees will cooperate with Sponsor and

may, at Tufts MC option and expense, be represented in such action or proceeding by counsel of their own choosing. Sponsor agrees not to settle any Covered Claim without the written consent of Tufts MC, not to be unreasonably withheld or delayed.

9.2 **Insurance**. Each party will obtain and maintain, at its sole expense, a comprehensive general commercial liability insurance policy, including broad form contractual liability coverage, for obligations under this Agreement. Such policy will have a minimum coverage in the amount of $2,000,000 per occurrence.

10. Mutual Representations and Warranties. Each party represents and warrants to the other party that:

(a) it is a corporation duly organized and existing under the laws of its state of incorporation and has the power and authority to enter into this Agreement;

(b) it has taken all necessary action to authorize the execution and delivery of this Agreement, and to authorize the performance of its obligations hereunder; and

(c) to the best of its knowledge execution and delivery of this Agreement and its performance of this Agreement will not result in any breach or violation of, or constitute a default under, any agreement instrument, judgment or order to which it is a party or by which it is bound.

11. Expiration/Termination.

11.1 **Expiration.** This Agreement will expire thirty (30) days after the Delivery Date, unless terminated prior to such date in accordance with this Section 11 or extended by written agreement of the parties.

11.2 **Termination for Breach**. If Sponsor breaches any of its obligations under this Agreement and fails to remedy such breach within thirty (30) days after receipt of written notice thereof, Tufts MC will have the right to terminate this Agreement as well as any licenses or options granted to Sponsor hereunder. In the event Tufts MC breaches any of its obligations under this Agreement and fails to remedy such breach within thirty (30) days after receipt of written notice thereof, Sponsor will have the option of terminating this Agreement upon written notice.

11.3 **Termination for Specific Cause**. In the event that the Principal Investigator is unavailable or unable to continue direction of the Research for a period in excess of ninety (90) days, Tufts MC will notify Sponsor and may nominate a replacement; if Tufts MC does not nominate a replacement or if that replacement is unsatisfactory to Sponsor, Sponsor may terminate this Agreement upon thirty (30) days written notice and such right to terminate will be Sponsor's sole remedy at law or in equity therefor.

11.4 **Survival of Agreement Terms**. Sections 2.3, 4 through 10, 11.3, 11.4 and 12 of this Agreement will survive any expiration or termination of this Agreement:

12. Miscellaneous

12.1 **Force Majeure**. Tufts MC will not be considered in breach of this Agreement to the extent any failure to perform any term or provisions is caused by any reason beyond Tufts MC's reasonable control, or by reason of any of the following circumstances; labor or employee disturbances or disputes of any kind; accidents; laws, rules or regulations of any government (including, without imitation, export and import regulations); failure to obtain any government approval required; disease; failure of utilities, mechanical breakdowns, material shortages or other similar occurrences; civil disorders or commotions, acts of aggression, vandalism or other similar occurrences or fire, floods, earthquakes or acts of God.

12.2 **Assignments**. Neither party may assign this Agreement without the prior written consent of the other party, except that no such consent shall be required for Sponsor to assign this Agreement in connection with the transfer or sale of all or substantially all of the business of Sponsor to a third party, whether by merger, sale

of stock, sale of assets or otherwise. Subject to the foregoing, this Agreement will be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

12.3 **Independent Inquiry**. As between the parties, Sponsor, Tufts MC and the entities and individuals participating in the Research will all be free to engage in similar research and inquiries made independently under other grants, contracts or agreements with or involving parties other than those to this Agreement.

12.4 **Waiver.** The waiver by either party of a breach or a default of any provision of this Agreement by the other party will not be construed as a waiver of any succeeding breach of the same or any other provision, nor will any delay or omission on the part of either party to exercise or avail itself of any right, power or privilege that it has or may have hereunder operate as a waiver of any right, power or privilege by such party.

12.5 **Notices**. Any notice under this Agreement will be properly addressed to the other party as set forth below and will be (a) hand delivered, (b) mailed, postage prepaid, first class, certified mail, return receipt requested, or (c) sent, shipping prepaid, receipt requested via a reputable courier service. Either party may change its address to which notices will be sent by giving notice to the other party in accordance with the terms of this Section 12.5.

For notices and payment to Tufts MC:

Tufts Medical Center, Inc
800 Washington Street, Box 817
Boston, MA 02111
Attn: Grants and Contracts

For notices and invoices to Sponsor:

TRACON Pharmaceuticals, Inc.
8910 University Center Lane, Suite 700
San Diego, CA 92122
Attn: Chief Executive Officer

12.6 **No Agency**. Nothing herein will be deemed to constitute either party as the agent or representative of the other party or both parties as joint venturers or partners for any purpose. Neither party will be responsible for the acts or omissions of the other party and neither party will have authority to speak for, represent or obligate the other party in any way without prior written authority from the other party.

12.7 **Entire Agreement**. This Agreement contains the full understanding of the parties with respect to the subject matter hereof and supersedes all prior understandings and writings relating thereto. No waiver, alteration or modification of any of the

provisions hereof will be binding unless made in writing and signed by the parties by their respective officers thereunto duly authorized. The parties have participated equally in the formation of this Agreement; the language of this Agreement will not be presumptively construed against either party.

12.8 **Severability.** In the event that any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable because it is invalid or in conflict with any law of any relevant jurisdiction, the validity of the remaining provisions will not be affected, and the rights and obligations of the parties will be construed and enforced as if the Agreement did not contain the particular provisions held to be unenforceable.

12.9 **Governing Law**. The validity and interpretation of this Agreement and the legal relationship of the parties, will be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without regard to conflict of law rules or principles.

12.10 **No Oral Modifications**. No change, modification, extension, termination or waiver of this Agreement, or any of its provisions, will be valid unless made in writing and signed by duly authorized representatives of the parties.

12.11 **Headings**. This Agreement contains headings only for convenience and the headings do not constitute or form a part of this Agreement, and should not be used in the construction of this Agreement.

12.12 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

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IN WITNESS WHEREOF, duly authorized representatives of the parties have executed this Agreement as of the Effective Date.

Tufts Medical Center, Inc.	**TRACON Pharmaceuticals, Inc.**
By: /s/ Frederick Frankhauser, JD, MBA	By: /s/ Charles P. Theuer, M.D., Ph.D.

Name: Frederick Frankhauser, JD, MBA

Title: Director, Grants and Contracts

Name: Charles P. Theuer, M.D., Ph.D.

Title: CEO

Agreed and accepted by Principal Investigator with respect to his or her interests and obligations under this Agreement

By: /s/ […***…]

Name: […***…]

Date: 12/16/14

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Exhibit A
Scope of Work

[…***…]

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[…***…]

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[…***…]

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Exhibit B
Budget and Payment Schedule

TOTAL BUDGET **non-refundable [...***...] (Direct and IDC)**

PAYMENT SCHEDULE	
Non-refundable Full Payment Upon Execution of Agreement	[...***...]
TOTAL	[...***...]

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Exhibit C
Tufts MC Pre-existing Intellectual Property

[…***…]

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Exhibit D
Term Sheet

***Text Omitted and Filed Separately with
the Securities and Exchange Commission.
Confidential Treatment Requested Under
17 C.F.R. Sections 200.80(b)(4) and 230.406.

December 16, 2014
CONFIDENTIAL

Non-Binding Term Sheet for Exclusive License Agreement between Tufts Medical Center and TRACON Pharmaceuticals

Parties	This Term Sheet sets forth, in a non-binding fashion, the current expression of interest regarding a potential exclusive license agreement by and between, Tufts Medical Center ("TMC") and TRACON Pharmaceuticals, Inc. ("Tracon"). Each of TMC and Tracon may be referred to as a "Party" and together, the "Parties." This term sheet is for discussion purposes only and there will be no binding agreement or contract between TMC and Tracon unless and until the Agreement (as defined below) is negotiated and executed by the authorized representatives of each Party. Notwithstanding the foregoing, the confidentiality provision in this term sheet shall be binding upon the Parties.
Definitive Agreement* **** in the event the full value of the […***…] Sponsored Research Agreement is not recognized within […***…] months, the parties will negotiate Agreement to […***…].***	The Parties intend in good faith to negotiate a definitive agreement (the "Agreement") by the date that is […***…] days after the date of delivery of the final report summarizing the Research results under the Sponsored Research Agreement between the Parties (or such longer period as agreed by the Parties).
Licensed Patents and Licensed Technology	"Licensed Patents" means: 1. […***…] 2. […***…] "Licensed Patents" will include any patent filings on inventions disclosed by TMC to Tracon on or prior to the effective date of the Agreement that names either […***…] or […***…] as an inventor and Tracon requests to include in the Agreement. "Licensed Patents" also includes all divisionals, substitutions, continued prosecution applications, including requests for continued examination, continuations, continuations-in-part (to the extent entitled to the priority date of the parent application), reissues, reexaminations, extensions, substitutions and counterparts of any of the foregoing patent applications and patents issued thereon. "Licensed Technology" means the data for Licensed Products or Licensed Technology Products in the Field of Use to be listed on an exhibit to the Agreement and which may include unpatented data arising from the Sponsored Research Agreement between the parties.
License Grant	TMC would grant to Tracon an exclusive, worldwide, royalty bearing, license to the Licensed Patents and the Licensed Technology to make, have made, use, sell, offer for sale, import, distribute and have distributed the Licensed Products (the "License").

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Retained Rights	TMC retains the non-exclusive, royalty-free, perpetual, irrevocable, worldwide right to practice the Licensed Patents and to use the Licensed Technology, and to allow other non-commercial entities to practice the Licensed Patents and to use the Licensed Technology, only for research, educational, scholarly purposes (including collaborations with other non-profit institutions and government entities) and for compassionate use purposes. The License shall be subject to any rights retained by the US government in the Licensed Patents.
Licensed Patented Product	A therapeutic product (i) developed or made using any product, process or method claimed by any of the Licensed Patents or (ii) the manufacture, use or sale of which product would, absent the License, infringe (or if pending claims were to issue, would infringe) any of the Licensed Patents.
Licensed Technology Product	Any product, process or method which is made, discovered, optimized, developed or validated through the use of Licensed Technology, or incorporating Licensed Technology.
Licensed Product	Any Licensed Patented Product or Licensed Technology Product.
Field of Use	Treatment of human disease.
Valid Claim	A claim of an issued and unexpired Licensed Patent, which claim has not been revoked or held unenforceable or invalid by a decision of a court or governmental agency of competent jurisdiction from which no further appeal can be taken, and which has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.
Sublicenses	Tracon may grant sublicenses of the rights granted in the Agreement provided that such sublicensees are obligated to comply with the terms of the Agreement as applicable to such sublicense and Tracon provides TMC a copy of each such sublicense prior to execution of sublicense, and may assign the Agreement to any third party to whom Tracon sells all or substantially all of its business or assets in the Field of Use without prior written approval of TMC.
Patent Expenses	· "Patent Expenses" means the costs, fees and expenses incurred by TMC for the preparation, filing, prosecution and/or maintenance of the Licensed Patents. · "Back Patent Expenses" means all Patent Expenses incurred by TMC prior to the effective date of the Agreement (the "Effective Date"), for which TMC has not been reimbursed by a third party. Tracon shall reimburse TMC for all Back Patent Expenses within 30 days of the Effective Date. · "Ongoing Patent Expenses" means all Patent Expenses incurred by TMC from the Effective Date and during the term of the Agreement. Tracon shall reimburse TMC for […***…]% of Ongoing Patent Expenses within 30 days of receipt of invoice from TMC. […***…] will be responsible for prosecution and maintenance of Licensed Patents and will consult regularly with […***…] and keep […***…] reasonably updated and consider in good faith […***…]'s comments and suggestions with respect to Licensed Patents. Tracon may elect to cease reimbursement of Ongoing Patent Expenses for any particular patent or patent application within the Licensed Patents in a given country upon prior written notice to TMC, in which case such patent or patent application shall no longer be included in the Licensed Patents. For avoidance of doubt, royalty obligations shall survive as defined in the Royalty Term section of the Agreement. The Agreement will also include provisions giving Tracon the first right to enforce the Licensed Patents.
Initial License Fee	Tracon shall pay TMC a non-refundable, non-creditable payment of […***…] on the Effective Date, payable in cash.
License Maintenance Fees	Beginning on the first anniversary of the Effective Date, Tracon shall pay TMC the non-refundable, non-creditable amount of […***…] annually as a license maintenance fee

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	until First Commercial Sale of the first Licensed Product.	
Milestone Payments	Tracon shall make the following payments to TMC for the first Licensed Product achieving the following development milestones (development milestone and sales milestone payments for a Licensed Product that is […***…] shall be at […***…]% of the amounts indicated):	
	Development Milestone Event	**Development Milestone Payment**
	1. […***…]	[…***…]
	2. […***…]	[…***…]
	3. […***…]	[…***…]
	4. […***…]	[…***…]
	Sales Milestone Event	**Sales Milestone Payment**
	[…***….]	[…***….]
Royalties	Tracon shall pay a royalty to TMC on net sales of each Licensed Patented Product as set forth in the table below. For royalty payments for […***…] Products the royalty rate shall be at […***…]% of the royalty rates indicated below. The Agreement shall include provisions for the deduction against the royalty due to TMC of […***…]% of any royalties,	

	license payments, license fees or similar charges for intellectual property that is necessary for development, manufacture or commercialization of Licensed Patented Product or Licensed Technology Product due to a third party, provided that in no event shall the royalties owed to TMC in a calendar quarter be less than […***…]% for a […***…] Product or […***…]% for a […***…] Product.

	Net Sales	**Royalty Rate**
	1. Net Sales in a Calendar Year:	[…***…]%

Minimum Annual Royalties	· $[…***…] per year starting from the January 1 after First Commercial Sale and thereafter for the remainder of the Royalty Term. · Non-refundable, but fully creditable against royalties due in the same calendar year.
Royalty Term	Royalties shall be payable on a Licensed Product-by-Licensed Product and country-by-country basis during the time period during which royalties are owed (the "Royalty Term"). The Royalty Term for a Licensed Product in a given country shall be the time period commencing on the date of First Commercial Sale of such Licensed Product in such country and ending on (a) the expiration of the last Valid Claim covering the manufacture, use in the Field of Use or sale of such Licensed Product in such country if the Licensed Product is a Licensed Patented Product but not a Licensed Technology Product, or (b) the 10th anniversary of the First Commercial Sale of such Licensed

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	Product in such country, if the Licensed Product is a Licensed Technology Product and not a Licensed Patent Product *provided, however,* that if (i) the Licensed Product is both a Licensed Patented Product and a Licensed Technology Product and (ii) the last Valid Claim covering the manufacture, use in the Field of Use or sale of such Licensed Product in such country expires earlier than the 10th anniversary of the First Commercial Sale of such Licensed Product in such country, the term for payment of royalties with respect to such Licensed Product shall continue until the 10th anniversary of the First Commercial Sale of such Licensed Product in such country.
Sublicense Payments	Tracon shall pay to TMC […***…]% of sublicense revenues received by Tracon in consideration of the sublicense of Licensed Patents and Licensed Technology during the term of the Agreement should such sublicense be first executed prior to […***…]. Tracon shall pay to TMC […***…]% of sublicense revenues received by Tracon in consideration of the sublicense of Licensed Patents and Licensed Technology during the term of the agreement should such sublicense be first executed after […***…]. Sublicense revenues include upfront and milestone payments and similar payments made in consideration of the Sublicense of Licensed Patents and Licensed Technology, but do not include royalty payments or similar payments (such as profit-sharing payments, in lieu of royalty payments in a given territory, for example) based on sales of Licensed Products or any payments for funding or reimbursement for costs of specific research and development activities conducted by Tracon directly attributable to Licensed Products subsequent to the execution of and pursuant to such sublicense, for the provision of goods or services at cost, for debt or equity securities, so long as said payments reflect the current fair market value of the securities, as reasonably determined by Tracon's board of directors, or for funding or reimbursement of patent filing, prosecution and maintenance costs incurred by Tracon. For avoidance of doubt, payments for debt or equity securities to the extent above FMV of such securities shall be included in sublicense payments.
Tracon Change of Control Payment	Upon a change of control of Tracon (to be defined in the Agreement), and assuming that the license agreement between Tracon and Tufts is still effective, Tracon or its successor shall make a one-time payment to TMC equal to […***…], capped at a maximum payment amount of […***…].
Reports	After the First Commercial Sale, Tracon shall provide quarterly reports to TMC including calculation of royalties.
Sponsored Research	Tracon shall enter into a separate Sponsored Research Agreement with TMC, on or before the Effective Date, to support on-going research activities in […***…]'s laboratory related to endoglin's role in fibrosis.
Diligence Obligations	· Minimum funding obligations: Tracon shall expend funds on the development and commercialization of Licensed Products in amounts not less than the following: (a) […***…] dollars during the first two years following the Effective Date and (b) […***…] dollars during the third and fourth year following the Effective Date, (clauses (a) and (b) together, the "Development Expenditures"). Development Expenditures shall include all research and development expenditures, including sponsored research payments and contract research, regulatory expenses, and personnel and external consulting payments, in each case documented and directly relating to Licensed Products. Tracon agrees to keep Tufts MC informed on an annual basis of Development Expenditures to support Licensed Products. · Tracon shall use commercially reasonable efforts at its own cost and expense to develop and commercialize the Licensed Products.

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<table>
<tr><td></td><td colspan="2">· Tracon shall achieve the following development events in accordance with the dates specified in the table below (the “Development Events”), provided that, if requested by Tracon based upon scientific or other reasons outside Tracon’s control, which request will include documentation of the reasons for such request, TMC and Tracon will meet and discuss in good faith a reasonable extension of such dates in light of such reasons:

· Regulatory delays
· Pre-clinical mechanism data (need to discuss in the context of the SRA work to be conducted)
· Manufacturing scale-up issues</td></tr>
<tr><td></td><td>Development Event</td><td>Date</td></tr>
<tr><td></td><td>[…***…]</td><td>[…***…]</td></tr>
<tr><td></td><td>[…***…]</td><td>[…***…]</td></tr>
<tr><td>Confidentiality</td><td colspan="2">This term sheet has been prepared with the understanding that its contents shall remain confidential in accordance with the confidentiality agreement between the Parties.</td></tr>
<tr><td>[…***…] SAB Position</td><td colspan="2">A separate consulting agreement and equity participation agreement shall be negotiated in good faith for […***…]’s anticipated role as scientific advisory board member of Tracon fibrosis programs.</td></tr>
<tr><td>General Provisions</td><td colspan="2">General provisions, including without limitation, limitation of liability, limited warranty regarding the right to grant the License, warranty disclaimer, termination, indemnity, insurance, etc.</td></tr>
</table>

TRACON Pharmaceuticals, Inc.

/s/ Charles P. Theuer, M.D., Ph.D.

16 Dec 2014

Date

Tufts Medical Center

/s/ Susan Blanchard

12/16/14

Date

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 8, 2014, in the Registration Statement (Form S-1) and related Prospectus of TRACON Pharmaceuticals, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

San Diego, California
December 29, 2014

QuickLinks