As filed with the Securities and Exchange Commission on January 15, 2021.

Registration No. 333-

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

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

Terns Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	2834	98-1448275
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1065 East Hillsdale Blvd., Suite 100
Foster City, California 94404
(650) 525-5535
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Senthil Sundaram
Chief Executive Officer
Terns Pharmaceuticals, Inc.
1065 East Hillsdale Blvd., Suite 100
Foster City, California 94404
(650) 525-5535
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Brian J. Cuneo, Esq. Nathan Ajiashvili, Esq. Michael Podolny, Esq. Latham & Watkins LLP 140 Scott Drive Menlo Park, California 94025 (650) 328-4600	Bryan Yoon, Esq. Chief Operating Officer and General Counsel Terns Pharmaceuticals, Inc. 1065 East Hillsdale Blvd., Suite 100 Foster City, California 94404 (650) 525-5535	Yasin Keshvargar, Esq. Davis Polk & Wardwell LLP 450 Lexington Avenue New York, New York 10017 (212) 450-4000	Alan F. Denenberg, Esq. Davis Polk & Wardwell LLP 1600 El Camino Real Menlo Park, California 94025 (650) 752-2000

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

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)	Amount of registration fee(2)
Common Stock, $0.0001 par value per share	$100,000,000	$10,910

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended. Includes the aggregate offering price of additional shares of common stock that the underwriters have the option to purchase.
(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

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

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

SUBJECT TO COMPLETION, DATED JANUARY 15, 2021

PRELIMINARY PROSPECTUS

Shares

Common Stock

This is an initial public offering of shares of common stock of Terns Pharmaceuticals, Inc. We are offering shares of our common stock. We currently expect the initial public offering price to be between $ and $ per share of common stock.

Prior to this offering, there has been no public market for our common stock. We have applied to list our common stock on the Nasdaq Global Market under the symbol "TERN."

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.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds to Terns Pharmaceuticals, Inc., before expenses	$	$

(1) See the section entitled "Underwriting" for a description of the compensation payable to the underwriters.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 12 to read about factors you should consider before buying shares of our common stock.

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

We have granted the underwriters the option for a period of 30 days to purchase up to an additional shares from us at the initial price to the public less the underwriting discounts and commissions.

The underwriters expect to deliver the shares against payment in New York, New York on , 2021.

J.P. Morgan **Goldman Sachs & Co. LLC** **Cowen**

Prospectus dated , 2021.

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Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus or in any applicable free writing prospectus is current only as of its date, regardless of its time of delivery or any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we nor the underwriters have 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 such free writing prospectus outside the United States.

PROSPECTUS SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus. You should carefully consider, among other things, the sections titled "Risk Factors," "Special Note Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. Unless the context otherwise requires, the terms "Terns," the "company," "we," "us," "our" and similar references in this prospectus refer to Terns Pharmaceuticals, Inc. and its consolidated subsidiaries.

Overview

We are a clinical-stage biopharmaceutical company developing a portfolio of small-molecule single-agent and combination therapy candidates for the treatment of non-alcoholic steatohepatitis, or NASH, and other chronic liver diseases. Our programs are based on clinically-validated and complementary mechanisms of action to address the multiple hepatic disease processes of NASH in order to drive meaningful clinical benefits for patients. The mechanisms of action targeted by our current drug candidates are the same mechanisms of action targeted by other drug candidates that have achieved clinical proof-of-concept in NASH clinical trials and have demonstrated significant improvements on histological and non-invasive markers of the disease, though no drug has been approved for the treatment of NASH in the United States or Europe. Our most advanced program is TERN-101, a liver-distributed, non-bile acid Farnesoid X Receptor agonist that has demonstrated sustained liver FXR activation, as well as a favorable tolerability profile across multiple Phase 1 clinical trials. In our Phase 1 clinical trials, no pruritus, or itching, or increases in LDL cholesterol levels as compared to the control group were observed—unlike in Phase 1 clinical trials of certain other FXR agonists conducted by third parties. We initiated our Phase 2a clinical trial of TERN-101 in NASH patients (the LIFT study) in June 2020 and expect top-line data in the third quarter of 2021. Our second clinical stage program, TERN-201, is a highly selective inhibitor of Vascular Adhesion Protein-1. We intend to start our Phase 1b clinical trial of TERN-201 in NASH patients in the first half of 2021 and expect top-line data in the first half of 2022. Our third program entering the clinic is TERN-501, a Thyroid Hormone Receptor beta, agonist with high metabolic stability, enhanced liver distribution and greater selectivity for THR-b compared to other THR-b agonists in development. We intend to start our Phase 1 first-in-human clinical trial of TERN-501 in the first half of 2021 and expect top-line data in the second half of 2021. We are also pursuing two combination therapy programs to address the multiple disease processes of NASH and expect to initiate a Phase 2a clinical proof-of-concept trial evaluating a combination of TERN-101 and TERN-501 in the first half of 2022.

NASH is a severe form of non-alcoholic fatty liver disease, or NAFLD, that affects up to 15 million people in the United States, and up to 6% of the global population, for which there is currently no approved therapy in the United States or Europe. NASH is a multifaceted disease that involves three distinct pathogenic hepatic disease processes: steatosis, inflammation and fibrosis. Our pipeline of programs is intended to address each of these distinct pathogenic disease processes. We believe that with our pipeline targeting steatosis (TERN-101 and TERN-501), inflammation (TERN-101 and TERN-201) and fibrosis (TERN-101 and TERN-201) in tandem, our programs have the potential to provide greater resolution of NASH and improvement in related clinical outcomes. Furthermore, by developing combination therapies to treat NASH, we are aiming to expand the reach of NASH therapeutics through improved response rates, better tolerability and improved compliance, as compared to monotherapy regimens.

Our NASH Pipeline Programs

Our wholly owned NASH pipeline includes multiple single-agent and combination therapy candidates that provide several opportunities to address the multifaceted nature of NASH and drive meaningful clinical benefits for patients. We intend to advance single-agent and combination therapies to increase the potential for improved response rates in NASH patients, for whom there are no approved treatment options.

Single agents:

- **TERN-101** is a liver-distributed, non-bile acid Farnesoid X Receptor, or FXR, agonist that has demonstrated a differentiated tolerability profile and improved target engagement due to its sustained FXR activation in the liver but only transient FXR activation in the intestine. FXR is a nuclear receptor primarily expressed in the liver, intestine and kidneys. FXR regulates hepatic expression of various genes involved in lipid metabolism, inflammation and fibrosis. Clinical trials of other FXR agonists have demonstrated significant histological NASH improvements but have also resulted in pruritus and adverse lipid changes. These safety and tolerability issues have been observed in Phase 1 clinical trials for other FXR agonists and have generally been regarded as dose-limiting toxicities, which are suboptimal for patients and can lead to treatment discontinuation. However, in all four Phase 1 clinical trials of TERN-101, none of the 119 subjects who received TERN-101 reported pruritus, and the serum lipid profiles among TERN-101 recipients were similar to placebo recipients at all doses. We are currently evaluating TERN-101 in a 12-week, randomized, placebo-controlled Phase 2a clinical trial in approximately 100 NASH patients (the LIFT Study) from which top-line data is expected in the third quarter of 2021. We received Fast Track designation from the U.S. Food and Drug Administration, or the FDA, for TERN-101 for the treatment of NASH in October 2019. Fast Track designation does not guarantee an accelerated review by the FDA.
- **TERN-201** is a highly-selective inhibitor of Vascular Adhesion Protein-1, or VAP-1, that has demonstrated sustained target engagement in clinical trials without the off-target liabilities associated with other VAP-1 inhibitors in development. VAP-1 facilitates the deceleration, binding, and transmigration of leukocytes from the bloodstream into the liver and produces reactive oxygen species that promote liver inflammation and fibrosis. VAP-1 has been shown to be over-expressed in the livers of NASH patients in response to local lipotoxicity and liver injury. In a Phase 2a clinical trial of another VAP-1 inhibitor in NASH patients, 12 weeks of administration demonstrated significant, dose-

dependent improvements in NASH biomarkers, providing clinical proof-of-concept for VAP-1 inhibition in NASH. In our Phase 1a first-in-human (SAD/MAD) clinical trial in 61 healthy subjects, TERN-201 was shown to fully suppress plasma VAP-1 activity at all of the doses that we evaluated. TERN-201 was selected for development over other discovery candidates because it is highly specific for VAP-1 inhibition and has minimal potential for off-target effects. We intend to start our Phase 1b clinical trial of TERN-201 in NASH patients in the first half of 2021 and expect top-line data in the first half of 2022. We received Fast Track designation from the FDA for TERN-201 for the treatment of NASH in August 2020. Fast Track designation does not guarantee an accelerated review by the FDA.

- **TERN-501** is a Thyroid Hormone Receptor beta, or THR-b, agonist with high metabolic stability, enhanced liver distribution and greater selectivity for THR-b compared to other THR-b agonists in development. Agonism of THR-b increases fatty acid metabolism via mitochondrial oxidation and affects cholesterol synthesis and metabolism. As a result, THR-b stimulation has the ability to reduce hepatic steatosis and improve serum lipid parameters including LDL cholesterol and triglycerides. *In vivo* NASH studies in a rodent model have demonstrated that low-doses of TERN-501 achieved complete resolution of steatosis and reductions in serum lipids, hepatic inflammation and fibrosis. TERN-501 has high liver distribution and is 23-fold more selective for THR-b than for THR-α activation, thereby minimizing the risk of cardiotoxicity and other off-target effects associated with non-selective THR stimulation. Finally, TERN-501 has been designed to be metabolically stable and is therefore expected to have little pharmacokinetic variability and a low clinical dose, making it an attractive candidate for use in fixed-dose combinations for NASH treatment. We intend to start our Phase 1 first-in-human trial of TERN-501 in the first half of 2021 and expect top-line data in the second half of 2021.
- **GLP-1R** is our small-molecule Glucagon-Like Peptide-1 Receptor agonist program that is intended to address metabolic processes involved in the pathogenesis of NASH. Our GLP-1R program has identified several potentially suitable small-molecule scaffolds. We plan to further optimize these series of compounds and identify structures that are suitable for orally administered combination with other NASH drug candidates within our pipeline. We are currently advancing this program through lead optimization and anticipate announcing a development candidate in the second half of 2021.

Combinations:

Several prior clinical trials evaluating single-agent therapies for NASH have shown only moderate histological improvements and exhibited tolerability issues with some of these agents at high doses. We believe that developing combination therapy candidates targeting multiple mechanistic pathways will drive improved response rates for NASH patients while mitigating potential tolerability concerns and improving compliance as compared to monotherapy regimens. We are well-positioned to develop multiple combination therapies for NASH with our extensive experience in combination drug development and the ability to leverage our pipeline of wholly owned single-agent drug candidates that we believe are suitable for orally administered combination development.

We believe that with our pipeline targeting steatosis (TERN-101 and TERN-501), inflammation (TERN-101 and TERN-201) and fibrosis (TERN-101 and TERN-201) in tandem, our programs have the potential to provide greater resolution of NASH and improvement in related clinical outcomes. We expect to initiate a Phase 2a clinical proof-of-concept trial evaluating a combination of TERN-101 and TERN-501 in the first half of 2022. We are also assessing the potential utility of combinations of TERN-201 with assets inside and outside of our pipeline. Given the strength of our internal resources and capabilities, we have the flexibility to independently advance our combination therapy candidates without the need for a co-development partner at this time.

Our Strategy

Our goal is to develop and commercialize differentiated monotherapies and combination therapies to improve the lives of patients affected by NASH and other chronic liver diseases. Key elements of our strategy to achieve this goal include:

- Develop improved drug candidates targeting clinically-validated mechanisms of action.
- Leverage non-invasive biomarkers to rapidly advance our single-agent drug candidates through clinical proof-of-concept.
- Advance our portfolio of combination therapy candidates for the treatment of NASH.
- Advance our earlier stage programs and expand the applications for our existing drug candidates.
- Independently develop and commercialize our drug candidates in indications and geographies where we believe we can maximize the value and benefit to patients.

Our Team

We have assembled a team of industry veterans with extensive experience in drug discovery and development, especially in liver diseases. Collectively, our team has been directly involved in more than 20 FDA approved products, including 11 fixed-dose-combination drugs. Our executive team has a strong track record in leading successful biotechnology companies and research and development organizations. Senthil Sundaram, our Chief Executive Officer, has over 20 years of strategy, financial and leadership experience in the life sciences industry. Dr. Erin Quirk, our President and Chief Medical Officer, brings more than 15 years of experience in the pharmaceutical industry, and has personally contributed to the development of 14 approved drug products to date, including initial marketing applications for five novel fixed-dose combinations. Dr. Weidong Zhong, our founder and Chief Scientific Officer, is an accomplished industry veteran who brings 25 years of experience in drug discovery and development and has developed over 20 small-molecule and biologic drug candidates. Since our founding in 2016, we have raised approximately $126.9 million in capital from leading venture capital funds, healthcare-dedicated investors, and institutional investors, including Lilly Asia Ventures, OrbiMed Advisors, Vivo Capital and Decheng Capital.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making a decision to invest in our common stock. These risks are more fully described in the section titled “Risk Factors” immediately following this prospectus summary. These risks include, among others, the following:

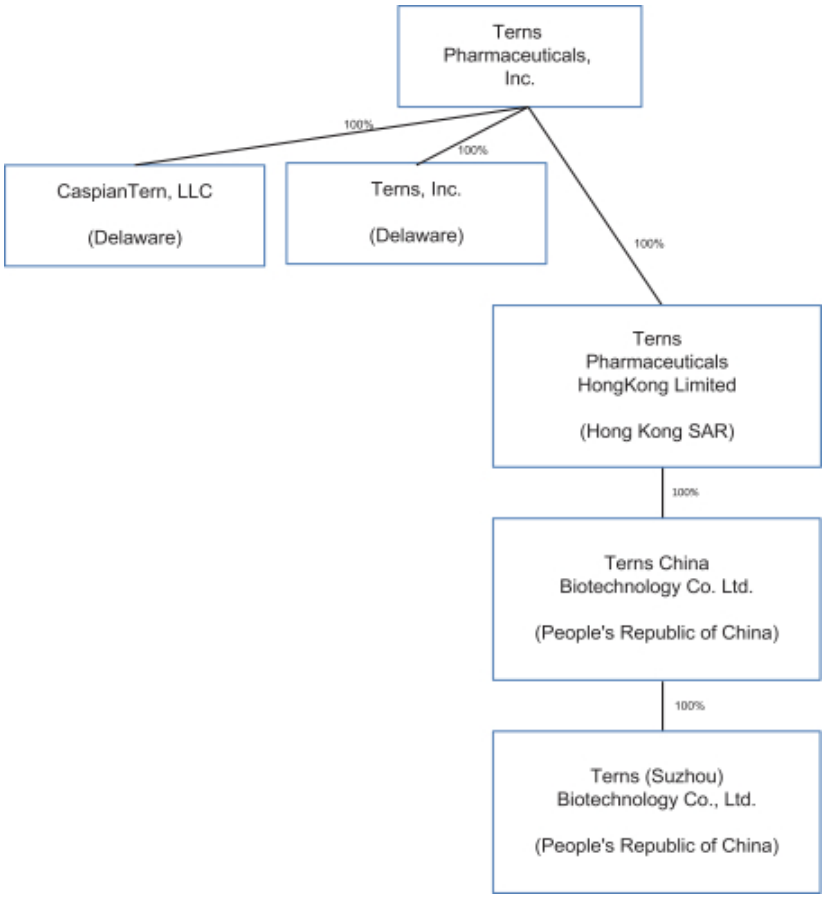
- We are a clinical-stage biopharmaceutical company with a limited operating history and no products approved for commercial sale. We have incurred significant losses since our inception, and we anticipate that we will continue to incur significant losses for the foreseeable future, which, together with our limited operating history, makes it difficult to assess our future viability.
- Unfavorable global economic or political conditions (including a recession or depression resulting from the COVID-19 pandemic) could adversely affect our business, financial condition or results of operations.
- Clinical drug development involves a lengthy and expensive process with uncertain timelines and outcomes, and results of earlier studies and trials may not be predictive of future trial results. Furthermore, NASH is an indication for which there is no approved therapy in the United States or Europe and for which other development challenges exist such as the lack of widely-accepted noninvasive diagnostic methods. If the development of our single-agent and combination therapy candidates is unsuccessful or delayed, we may be unable to obtain required regulatory approvals and we may be unable to commercialize our single-agent and combination therapy candidates on a timely basis, if at all.

- We are early in our development efforts. Our business is heavily dependent on the successful development, regulatory approval and commercialization of our current and future single-agent and combination therapy candidates.
- We face significant competition for our drug discovery and development efforts in an environment of rapid technological and scientific change, and our single-agent and combination therapy candidates, if approved, will face significant competition, which may prevent us from achieving significant market penetration. Many of our competitors have significantly greater resources than we do, and we may not be able to successfully compete with them.
- We rely on third parties to conduct, supervise and monitor our preclinical and clinical trials. If these third parties do not successfully carry out their contractual duties, meet rigorously enforced regulatory standards or meet expected deadlines, we may be unable to obtain regulatory approval for or commercialize any of our single-agent or combination therapy candidates on a timely basis or at all.
- We rely completely on third parties to manufacture our clinical drug supplies and we intend to rely on third parties to produce commercial supplies of any approved single-agent or combination therapy candidate, and our commercialization of any of our single-agent and combination therapy candidates could be stopped, delayed or made less profitable if those third parties fail to obtain approval of the FDA or comparable regulatory authorities, fail to provide us with sufficient quantities of drug product or fail to do so at acceptable quality levels or prices.
- Our current and any future single-agent and combination therapy candidates could be alleged to infringe patent rights and other intellectual property rights of third parties, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages and/or limit our ability to commercialize our single-agent and combination therapies.
- Our financial condition raises substantial doubt as to our ability to continue as a going concern. We will require substantial additional financing to achieve our goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development programs, commercialization efforts or other operations.
- Our stock price may be volatile and you may not be able to resell shares of our common stock at or above the price you paid.

Our Corporate Information and Organizational Chart

We were incorporated under the laws of the Cayman Islands on December 9, 2016. On December 29, 2020, we effected a de-registration under the Cayman Islands Companies Law (2020 Revision) and a domestication under Section 388 of the Delaware General Corporation Law (by means of filing a certificate of domestication with the Secretary of State of Delaware), pursuant to which our jurisdiction of incorporation was changed from the Cayman Islands to the State of Delaware, or the Domestication. Upon completion of the Domestication, (i) each of our issued and outstanding ordinary shares, par value $0.0001 per share, was converted, on a one-for-one basis, into a share of common stock, par value $0.0001 per share, (ii) each of our issued and outstanding Series A Preferred Shares, par value $0.0001 per share, was converted, on a one-for-one basis, into a share of Series A convertible preferred stock, par value $0.0001 per share, and (iii) each of our issued and outstanding Series B Preferred Shares, par value $0.0001 per share, was converted, on a one-for-one basis, into a share of Series B convertible preferred stock, par value $0.0001 per share. In addition, following the Domestication, the LAV PRC Entities have exercised the LAV Option which has caused all of the equity interests held by the LAV PRC Entities to be converted into shares of our capital stock, or the China Conversion. See Note 8, Convertible Preferred Stock, to each of our audited consolidated financial statements and unaudited condensed consolidated financial statements and Note 14, Subsequent Events, to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional information regarding the LAV PRC Entities and the LAV Option. We refer to this series of transactions as the Domestication transactions.

The following is an organizational chart setting forth our corporate structure as of January 15, 2021, following the Domestication transactions.



Our principal executive offices are located at 1065 East Hillsdale Boulevard, Suite 100, Foster City, California 94404, and our telephone number is (650) 525-5535. Our corporate website address is www.ternspharma.com. Information contained on, or accessible through, our website shall not be deemed incorporated into and is not a part of this prospectus or the registration statement of which it forms a part. We have included our website in this prospectus solely as an inactive textual reference.

Implications of Being an Emerging Growth Company

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of the consummation of this offering, (ii) the last day of the fiscal year in which we have total annual gross revenue of at least $1.07 billion, (iii) the last day of the fiscal year in which we are deemed to be a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year or

(iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period. An emerging growth company may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- We will present in this prospectus only two years of audited consolidated financial statements, plus unaudited condensed consolidated financial statements for any interim period, and related management's discussion and analysis of financial condition and results of operations;
- We will avail ourselves of the exemption from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;
- We will provide less extensive disclosure about our executive compensation arrangements; and
- We will not require stockholder non-binding advisory votes on executive compensation or golden parachute arrangements.

Accordingly, the information contained herein may be different than the information you receive from our competitors that are public companies or other public companies in which you hold stock.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards, and therefore we will not be subject to the same requirements to adopt new or revised accounting standards as other public companies that are not emerging growth companies.

THE OFFERING

Common stock offered by us	shares.
Option to purchase additional shares	The underwriters have been granted an option to purchase up to additional shares of common stock from us at any time within 30 days from the date of this prospectus.
Common stock to be outstanding after this offering	shares (or shares if the underwriters exercise their option to purchase additional shares in full).
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million (or approximately $ million if the underwriters exercise in full their option to purchase up to additional shares of common stock), based on an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We currently intend to use the net proceeds from this offering, together with our existing cash and cash equivalents, to advance TERN-101 through our Phase 2a clinical trial (the LIFT Study), advance TERN-501 monotherapy through our Phase 1 clinical trial, initiate and advance Phase 2 clinical development for our combination therapy program, and advance TERN-201 through our Phase 1b clinical trial, as well as advance our research and development activities, including our GLP-1R and combination programs, and for working capital and other general corporate purposes. See the section titled “Use of Proceeds” for additional information.
Risk factors	You should read the section titled “Risk Factors” for a discussion of factors to consider carefully, together with all the other information included in this prospectus, before deciding to invest in our common stock.
Proposed Nasdaq Global Market symbol	“TERN”

The number of shares of our common stock to be outstanding after this offering is based on 231,001,405 shares of our common stock (after giving effect to the conversion of all of our shares of convertible preferred stock outstanding as of September 30, 2020, as well as the issuance and subsequent conversion of all of our shares of convertible preferred stock issued and sold in December 2020 into an aggregate of 225,109,409 shares of our common stock immediately prior to the completion of this offering), and excludes:

- 12,963,675 shares of our common stock issuable upon the exercise of outstanding stock options as of September 30, 2020, with a weighted-average exercise price of $0.44 per share;
- 22,097,758 shares of our common stock issuable upon the exercise of outstanding stock options granted subsequent to September 30, 2020, with a weighted-average exercise price of $0.66 per share;

- shares of our common stock reserved for future issuance under our 2021 Incentive Award Plan, or the 2021 Plan, which will become effective on the date immediately prior to the date our registration statement relating to this offering becomes effective, as well as any future increases in the number of shares of common stock reserved for issuance under the 2021 Plan; and
- shares of our common stock reserved for future issuance under our 2021 Employee Stock Purchase Plan, or the ESPP, which will become effective on the date immediately prior to the date our registration statement relating to this offering becomes effective, as well as any future increases in the number of shares of common stock reserved for issuance under the ESPP.

Except as otherwise indicated, all information in this prospectus assumes or gives effect to:

- the completion of the Domestication transactions as of September 30, 2020;
- the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the completion of this offering and the adoption of our amended and restated bylaws immediately prior to the completion of this offering;
- the conversion of all of our shares of convertible preferred stock outstanding as of September 30, 2020 and all of our shares of convertible preferred stock issued and sold in December 2020 into an aggregate of 225,109,409 shares of our common stock, immediately prior to the completion of this offering;
- a -for- reverse stock split of our common stock and convertible preferred stock effected on , 2021;
- no exercise of the outstanding options; and
- no exercise by the underwriters of their option to purchase up to additional shares of our common stock.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables set forth our summary consolidated statements of operations and consolidated balance sheet data. The summary consolidated statements of operations data for the years ended December 31, 2018 and 2019 and the consolidated balance sheet data as of December 31, 2019 are derived from our audited consolidated financial statements appearing elsewhere in this prospectus. The summary consolidated statements of operations data for the nine months ended September 30, 2019 and 2020 and the summary consolidated balance sheet data as of September 30, 2020 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected for any period in the future and our interim results are not necessarily indicative of our expected results for the year ending December 31, 2019. You should read the following summary consolidated financial data together with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
			(unaudited)	
	(in thousands, except share and per share amounts)			
Consolidated Statements of Operations Data:				
Operating expenses:				
Research and development	$ 14,554	$ 61,534	$ 53,978	$ 20,259
General and administrative	3,901	8,663	6,275	7,998
Total operating expenses	18,455	70,197	60,253	28,257
Loss from operations	(18,455)	(70,197)	(60,253)	(28,257)
Other income (expense):				
Interest income	332	1,204	1,097	53
Foreign exchange gain (loss)	—	—	346	(295)
Change in fair value of loans payable	—	—	—	(2,366)
Other income, net	38	154	15	325
Total other income (expense), net	370	1,358	1,458	(2,283)
Loss before benefit (provision) for income taxes	(18,085)	(68,839)	(58,795)	(30,540)
Benefit (provision) for income taxes	67	20	22	(102)
Net loss	(18,018)	(68,819)	(58,773)	(30,642)
Less: Net (loss) income attributable to noncontrolling interest	(307)	(208)	63	(518)
Net loss attributable to common stockholders	$ (17,711)	$ (68,611)	$ (58,836)	$ (30,124)
Other comprehensive income (loss):				
Unrealized gain on available-for-sale securities, net of tax	$ —	$ 2	$ —	$ —
Foreign exchange translation adjustment, net of tax	(65)	(166)	(491)	196
Comprehensive loss	(18,083)	(68,983)	(59,264)	(30,446)
Less: Comprehensive loss attributable to noncontrolling interest	(320)	(231)	(8)	(490)
Comprehensive loss attributable to common stockholders	$ (17,763)	$ (68,752)	$ (59,256)	$ (29,956)
Net loss per share attributable to common stockholders, basic and diluted	$ (16.97)	$ (26.74)	$ (24.40)	$ (7.96)
Weighted average common stock outstanding, basic and diluted	1,043,744	2,565,692	2,411,750	3,786,526

	As of September 30, 2020 (in thousands)		
	Actual	Pro Forma(1)	Pro Forma as Adjusted(2)(3)
		(unaudited)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 13,756	$	$
Working capital (deficiency)(4)	(12,602)		
Total assets	17,413		
Noncontrolling interest	13,599		
Convertible preferred stock	94,967		
Accumulated deficit	(121,986)		
Total stockholders' deficit	(119,815)		

(1) The pro forma column reflects: (i) the conversion of all of our shares of convertible preferred stock outstanding as of September 30, 2020 into 102,683,323 shares of our common stock, which will occur immediately prior to the completion of this offering, (ii) the issuance and sale of shares of our convertible preferred stock in December 2020 for aggregate gross proceeds of approximately $87.4 million (including conversion of the $15.0 million of convertible notes and effective conversion of $1.8 million in a bridge loan, plus accrued interest) and the subsequent conversion into 122,426,086 shares of our common stock, which will occur immediately prior to the completion of the offering, and (iii) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware, which will be in effect immediately prior to the completion of this offering.

(2) The pro forma as adjusted column reflects: (i) the pro forma adjustments set forth above, and (ii) the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) The pro forma as adjusted information discussed above is illustrative only and will depend on the actual initial public offering price and other terms of this offering determined at pricing. Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, each of our pro forma as adjusted cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately $ million, assuming the number of shares of common stock 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 or decrease of 1,000,000 shares of common stock offered by us would increase or decrease, as applicable, each of our pro forma as adjusted cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately $ million, assuming the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this prospectus, including our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding whether to invest in our common stock. Many of the following risks and uncertainties are, and will be, exacerbated by the coronavirus disease 2019, or COVID-19, pandemic and any worsening of the global business and economic environment as a result. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations and prospects. In such an event, the market price of our common stock could decline and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Related to Our Limited Operating History, Financial Condition and Capital Requirements

We are a clinical-stage biopharmaceutical company with a limited operating history and no products approved for commercial sale. We have incurred significant losses since our inception, and we anticipate that we will continue to incur significant losses for the foreseeable future, which, together with our limited operating history, makes it difficult to assess our future viability.

We are a clinical-stage biopharmaceutical company, and we have only a limited operating history upon which you can evaluate our business and prospects. Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk. We have no products approved for commercial sale and have not generated any revenue from sales of our single-agent and combination therapy candidates and have incurred losses in each year since our inception in December 2016. We have only a limited operating history upon which you can evaluate our business and prospects. In addition, we have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the pharmaceutical, biopharmaceutical and biotechnology industry.

We have had significant operating losses since our inception. Our net loss attributable to common stockholders for the years ended December 31, 2018 and 2019 was approximately $17.7 million and $68.6 million, respectively, and $58.8 million and $30.1 million for the nine months ended September 30, 2019 and 2020, respectively. As of September 30, 2020, we had an accumulated deficit of $122.0 million excluding $1.1 million of net losses that have been allocated to the noncontrolling interest. Substantially all of our losses have resulted from expenses incurred in connection with our research and development programs and from general and administrative costs associated with our operations. We expect to continue to incur losses for the foreseeable future, and we anticipate these losses will increase as we continue to develop our single-agent and combination therapy candidates, conduct clinical trials and pursue research and development activities. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' equity and working capital.

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

Since our inception, we have invested a significant portion of our efforts and financial resources in research and development activities. Our single-agent and combination therapy candidates will require additional clinical development, and we intend to conduct additional research and development activities to discover and develop new single-agent and combination therapy candidates, including conducting preclinical studies and clinical trials, all of which will require substantial additional funds. We will continue to expend significant resources for the foreseeable future in connection with these activities. These expenditures will include costs associated with conducting preclinical studies and clinical trials, obtaining regulatory approvals and manufacturing and supply, as well as marketing and selling any drugs approved for sale. In addition, other unanticipated costs may arise. Because the outcome of any preclinical study or clinical trial is highly uncertain, we cannot reasonably estimate

the actual amounts necessary to successfully complete the development and commercialization of our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates.

As of September 30, 2020, we had capital resources consisting of cash and cash equivalents of approximately $13.8 million. In December 2020, we issued and sold shares of our convertible preferred stock for gross proceeds of approximately $87.4 million (including conversion of the $15.0 million of convertible notes and effective conversion of $1.8 million in a bridge loan, plus accrued interest). We expect our existing capital resources, which includes the gross proceeds from the issuance and sale of our convertible preferred stock and the net proceeds from this offering, will fund our planned operating expenses through . However, our operating plans may change as a result of many factors currently unknown to us, and we may need to seek additional funds sooner than planned through public or private equity offerings or debt financings or other sources, such as strategic collaborations. Such financing may result in dilution to our stockholders, imposition of burdensome debt covenants and repayment obligations, or other restrictions that may affect our business. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

Our future capital requirements depend on many factors, including:

- the scope, progress, results and costs of researching and developing our current single-agent and combination therapy candidates or any other future single-agent and combination therapy candidates we choose to pursue, and conducting preclinical studies and clinical trials, including our planned clinical trials of TERN-101, TERN-201, TERN-501 and the coadministration of TERN-101 and TERN-501 and any delays related to the COVID-19 pandemic;
- the timing of, and the costs involved in, obtaining regulatory approvals for our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates;
- the number and characteristics of any additional single-agent or combination therapy candidates we develop or acquire;
- the timing and amount of any milestone, royalty and/or other payments we are required to make pursuant to our current or any future license or collaboration agreements;
- the cost of manufacturing our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates and any single-agent or combination therapies we successfully commercialize;
- the cost of pre-commercial activities and, if approved, commercialization activities related to our single-agent and combination therapy candidates, including marketing, sales and distribution costs;
- the cost of building or contracting a sales force in anticipation of commercialization;
- our ability to establish strategic collaborations, licensing or other arrangements and the financial terms of any such agreements, including the timing and amount of any future milestone, royalty or other payments due under any such agreement;
- any product liability or other lawsuits related to our single-agent and combination therapy candidates, if approved;
- the expenses needed to attract, hire and retain skilled personnel;
- the costs associated with being a public company;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing our intellectual property portfolio;
- the timing, receipt and amount of sales of any future approved drugs; and
- the impact of the COVID-19 pandemic, which may exacerbate the magnitude of the factors discussed above.

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. Our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide resulting from the ongoing COVID-19 pandemic. If adequate funds are not available to us on a timely basis, we may be required to:

- delay, limit, reduce or terminate preclinical studies, clinical trials or other development activities for our single-agent and combination therapy candidates or any future single-agent or combination therapy candidate;
- delay, limit, reduce or terminate our research and development activities; or
- delay, limit, reduce or terminate our efforts to establish manufacturing and sales and marketing capabilities or other activities that may be necessary to commercialize our single-agent and combination therapy candidates or any future single-agent or combination therapy candidate, or reduce our flexibility in developing or maintaining our sales and marketing strategy.

We also could be required to seek funds through arrangements with collaborators or others that may require us to relinquish rights to some of our technologies or single-agent and combination therapy candidates that we would otherwise pursue on our own. We do not expect to realize revenue from sales of products or royalties from licensed products in the foreseeable future, if at all, and unless and until our single-agent and combination therapy candidates are clinically tested, approved for commercialization and successfully marketed. To date, we have primarily financed our operations through the sale of equity and debt securities. We will be required to seek additional funding in the future and currently intend to do so through public or private equity offerings or debt financings, credit or loan facilities, collaborations or a combination of one or more of these funding sources. Our ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond our control. Additional funds may not be available to us on acceptable terms or at all. If we raise additional funds by issuing equity securities, our stockholders will suffer dilution and the terms of any financing may adversely affect the rights of our stockholders. In addition, as a condition to providing additional funds to us, future investors may demand, and may be granted, rights superior to those of existing stockholders. Debt financing, if available, is likely to involve restrictive covenants limiting our flexibility in conducting future business activities, and, in the event of insolvency, debt holders would be repaid before holders of our equity securities received any distribution of our corporate assets.

Due to the significant resources required for the development of our single-agent and combination therapy candidates, we must prioritize development of certain single-agent and combination therapy candidates and/or certain disease indications, which initially will be NASH. We may expend our limited resources on candidates or indications that do not yield a successful product and fail to capitalize on single-agent and combination therapy candidates or indications that may be more profitable or for which there is a greater likelihood of success.

We are currently focused on developing a portfolio of small-molecule single-agent and combination therapy candidates for the treatment of non-alcoholic steatohepatitis, or NASH, and other chronic liver diseases. We seek to maintain a process of prioritization and resource allocation among our programs to maintain a balance between advancing our two clinical-stage programs, TERN-101 and TERN-201, and our third program entering the clinic, TERN-501, in identified indications and exploring additional indications or mechanisms as well as developing future single-agent and combination therapy candidates. We also aim to conduct combination trials of our single-agent drug candidates. However, due to the significant resources required for the development of our single-agent and combination therapy candidates, we must focus on specific diseases and disease pathways and decide which single-agent and combination therapy candidates to pursue and the amount of resources to allocate to each such single-agent or combination therapy candidate.

Our decisions concerning the allocation of research, development, collaboration, management and financial resources toward particular single-agent and combination therapy candidates or therapeutic areas may not lead to

the development of any viable commercial drug and may divert resources away from better opportunities. Similarly, any decision to delay, terminate or collaborate with third parties in respect of certain programs may subsequently also prove to be suboptimal and could cause us to miss valuable opportunities. If we make incorrect determinations regarding the viability or market potential of any of our programs or single-agent and combination therapy candidates or misread trends in NASH or in the pharmaceutical, biopharmaceutical or biotechnology industry, our business, financial condition and results of operations could be materially adversely affected. As a result, we may fail to capitalize on viable commercial products or profitable market opportunities, be required to forego or delay pursuit of opportunities with other single-agent and combination therapy candidates or other diseases and disease pathways that may later prove to have greater commercial potential than those we choose to pursue, or relinquish valuable rights to such single-agent and combination therapy candidates through collaboration, licensing or other royalty arrangements in cases in which it would have been advantageous for us to invest additional resources to retain development and commercialization rights.

Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations.

Our quarterly and annual operating results may fluctuate significantly, which makes it difficult for us to predict our future operating results. These fluctuations may occur due to a variety of factors, many of which are outside of our control and may be difficult to predict, including:

- the timing and cost of, and level of investment in, research, development, pre-commercial and, if approved, commercialization activities relating to our single-agent and combination therapy candidates, which may change from time to time;
- the timing and status of enrollment for our clinical trials;
- the cost of manufacturing our single-agent and combination therapy candidates, as well as building out our supply chain, which may vary depending on the quantity of production and the terms of our agreements with manufacturers;
- expenditures that we may incur to acquire, develop or commercialize additional single-agent and combination therapy candidates and technologies;
- timing and amount of any milestone, royalty or other payments due under any collaboration or license agreement;
- future accounting pronouncements or changes in our accounting policies;
- the timing and success or failure of preclinical studies and clinical trials for our single-agent and combination therapy candidates or competing single-agent and combination therapy candidates, or any other change in the competitive landscape of our industry, including consolidation among our competitors or partners;
- the timing of receipt of approvals for, and the scope of or limitation on the marketing authorizations received on, our single-agent and combination therapy candidates from regulatory authorities in the United States and internationally;
- coverage and reimbursement policies with respect to our single-agent and combination therapy candidates, if approved, and potential future drugs that compete with our single agent and combination therapies;
- the level of demand for our single-agent and combination therapy candidates, if approved, which may vary significantly over time; and
- the impact from COVID-19, which may have the effect of magnifying many of the factors described above.

The cumulative effects of these factors could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Investors should not rely on our past results as an indication of our future performance.

This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if any forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated revenue or earnings guidance we may provide.

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

Our consolidated financial statements have been prepared assuming that we will continue to operate as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Based on our current forecast, and without accounting for the proceeds from this offering or any other offering, we do not have sufficient resources for at least the next year following the date that the consolidated financial statements appearing elsewhere in this prospectus were issued. To date, we have not generated revenues from our activities and have incurred substantial operating losses. We expect that we will continue to generate substantial operating losses for the foreseeable future until we complete development of our single-agent and combination therapy candidates and seek regulatory approvals to market such single-agent and combination therapy candidates. We will continue to fund our operations primarily through utilization of our current financial resources and additional raises of capital.

These conditions raise substantial doubt about our ability to continue as a going concern. Additionally, our independent registered public accounting firm has included in its audit opinion for the year ended December 31, 2019 an explanatory paragraph that there is substantial doubt as to our ability to continue as a going concern. We plan to address these conditions by raising funds from our current investors as well as potential outside investors. However, there is no assurance that such funding will be available to us, will be obtained on terms favorable to us or will provide us with sufficient funds to meet our objectives. The reaction of investors to the inclusion of a going concern statement by our auditors and our potential inability to continue as a going concern may materially adversely affect our share price and our ability to raise new capital or enter into partnerships. If we become unable to continue as a going concern, we may have to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our consolidated financial statements.

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

Our business is susceptible to general conditions in the global economy and in the global financial markets. A global financial crisis or a global or regional political disruption could cause extreme volatility in the capital and credit markets. A severe or prolonged economic downturn, including a recession or depression resulting from the current COVID-19 pandemic, or political disruption could result in a variety of risks to our business, including weakened demand for our current or future single-agent and combination therapy candidates, if approved, and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy or political disruption could also strain our manufacturers or suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our potential drugs, if approved. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects, and we cannot anticipate all of the ways in which the political or economic climate and financial market conditions could adversely impact our business.

Risks related to the discovery and development of our single-agent and combination therapy candidates.

We are early in our development efforts. Our business is heavily dependent on the successful development, regulatory approval and commercialization of our current and future single-agent and combination therapy candidates.

We have no drugs or combination therapies approved for sale, and our two clinical-stage programs are in early stages of clinical development. The success of our business, including our ability to finance our company and generate revenue in the future, will primarily depend on the successful development, regulatory approval and commercialization of our single-agent and combination therapy candidates and, in particular, the advancement of our current clinical-stage programs, which are in early stages of clinical development. Given our stage of development, it may be many years, if we succeed at all, before we have demonstrated the safety and efficacy of a single-agent or combination therapy candidate sufficient to warrant approval for commercialization. We cannot be certain that our single-agent and combination therapy candidates will receive regulatory approval or be successfully commercialized even if we receive regulatory approval.

We have not previously submitted a new drug application, or NDA, to the U.S. Food and Drug Administration, or FDA, or similar approval filings to a comparable foreign regulatory authority, for any single-agent or combination therapy candidate. An NDA or other relevant regulatory filing must include extensive preclinical and clinical data and supporting information to establish that the single-agent or combination therapy candidate is safe and effective for each desired indication. The NDA or other relevant regulatory filing must also include significant information regarding the chemistry, manufacturing and controls for the product. We cannot be certain that our current or future single-agent and combination therapy candidates will be successful in clinical trials or receive regulatory approval. Further, even if they are successful in clinical trials, our current or future single-agent and combination therapy candidates may not receive regulatory approval. If we do not receive regulatory approvals for current or future single-agent and combination therapy candidates, we may not be able to continue our operations. Even if we successfully obtain regulatory approval to market a single-agent or combination therapy candidate, our revenue will depend, in part, upon the size of the markets in the territories for which we gain regulatory approval and have commercial rights, as well as the availability of competitive products, whether there is sufficient third-party reimbursement and adoption by physicians.

We plan to seek regulatory approval to commercialize our single-agent and combination therapy candidates both in the United States and in select foreign countries. While the scope of regulatory approval generally is similar in other countries, in order to obtain separate regulatory approval in other countries, we must comply with numerous and varying regulatory requirements of such countries regarding safety and efficacy. Other countries also have their own regulations governing, among other things, clinical trials and commercial sales, as well as pricing and distribution of drugs, and we may be required to expend significant resources to obtain regulatory approval and to comply with ongoing regulations in these jurisdictions.

In the future, we may also become dependent on other single-agent and combination therapy candidates that we may develop or acquire. The clinical and commercial success of our single-agent and combination therapy candidates and future single-agent and combination therapy candidates will depend on a number of factors, including the following:

- timely completion of our preclinical studies and clinical trials, which may be significantly slower or cost more than we currently anticipate and will depend substantially upon the performance of third-party contractors;
- sufficiency of our financial and other resources to complete the necessary preclinical studies and clinical trials;
- the COVID-19 pandemic, which may result in clinical site closures, delays to patient enrollment, patients discontinuing their treatment or follow-up visits or changes to trial protocols;
- our ability to raise any additional required capital on acceptable terms, or at all;

- our ability to complete investigational new drug applications, or INDs, IND-enabling studies and successfully submit INDs or comparable applications for our preclinical or future single-agent and combination therapy candidates;
- whether we are required by the FDA or similar foreign regulatory authorities to conduct additional clinical trials or other studies beyond those planned to support the approval and commercialization of our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates;
- acceptance of our proposed indications and primary endpoint assessments relating to the proposed indications of our single-agent and combination therapy candidates by the FDA and similar foreign regulatory authorities, including the use of non-invasive or other novel endpoint to initially obtain market authorization for our single-agent and combination therapy candidates;
- our ability to demonstrate to the satisfaction of the FDA and similar foreign regulatory authorities the safety, efficacy and acceptable risk to benefit profile of our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates;
- the prevalence, duration and severity of potential side effects or other safety issues experienced with our single-agent and combination therapy candidates or future approved drugs, if any;
- the timely receipt of necessary marketing approvals from the FDA and similar foreign regulatory authorities;
- achieving and maintaining and, where applicable, ensuring that our third-party contractors achieve and maintain compliance with our contractual obligations and with all regulatory requirements applicable to our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates or approved drugs, if any;
- the ability of third parties with whom we contract to manufacture adequate clinical trial and commercial supplies of our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates to remain in good standing with regulatory agencies and develop, validate and maintain commercially viable manufacturing processes that are compliant with current good manufacturing practices, or cGMPs;
- our ability to successfully develop a commercial strategy and thereafter commercialize our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates in the United States and internationally, if approved for marketing, reimbursement, sale and distribution in such countries and territories, whether alone or in collaboration with others;
- our ability to achieve sufficient market acceptance, coverage and adequate reimbursement from third-party payors and adequate market share and revenue for any approved drugs;
- the convenience of our treatment or dosing regimen and the degree to which patients are able to comply with the recommended treatment program;
- acceptance by physicians, payors and patients of the benefits, safety and efficacy of our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates, if approved, including relative to alternative and competing treatments;
- the willingness of physicians, operators of clinics and patients to utilize or adopt any of our single-agent or combination therapy candidates or any future single-agent and combination therapy candidates, if approved;
- patients' willingness to enroll or continue to participate in a clinical trial during the COVID-19 pandemic;
- patient demand for our current or future single-agent and combination therapy candidates, if approved, including patients' willingness to pay out-of-pocket for any approved drugs in the absence of coverage and/or adequate reimbursement from third-party payors;

- effectively competing with other therapies;
- the ease, speed and cost at which we are able to execute on our strategy to develop fixed-dose combination therapy candidates that have desirable profiles;
- our ability to establish and enforce intellectual property rights in and to our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates; and
- our ability to avoid third-party patent interference, intellectual property challenges or intellectual property infringement claims.

These factors, many of which are beyond our control, could cause us to experience significant delays or an inability to obtain regulatory approvals or commercialize our single-agent and combination therapy candidates. Even if regulatory approvals are obtained, we may never be able to successfully commercialize any of our single-agent or combination therapy candidates. Accordingly, we cannot provide assurances that we will be able to generate sufficient revenue through the sale of our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates to continue our business or achieve profitability.

Clinical drug development involves a lengthy and expensive process with uncertain timelines and outcomes, and results of earlier studies and trials may not be predictive of future trial results. If development of our single-agent and combination therapy candidates is unsuccessful or delayed, we may be unable to obtain required regulatory approvals and we may be unable to commercialize our single-agent and combination therapy candidates on a timely basis, if at all.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure or delay can occur at any time during the clinical trial process. Success in nonclinical testing and early clinical trials does not ensure that later clinical trials will be successful. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in clinical trials, even after promising results in earlier nonclinical or clinical studies. These setbacks have been caused by, among other things, nonclinical findings made while clinical studies were underway and safety or efficacy observations made in clinical studies, including previously unreported adverse events. The results of preclinical, nonclinical and early clinical studies of our single-agent and combination therapy candidates may not be predictive of the results of later-stage clinical trials. Single-agent and combination therapy candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical and initial clinical trials. Notwithstanding any potential promising results in earlier studies, we cannot be certain that we will not face similar setbacks. Even if our clinical trials are completed, the results may not be sufficient to obtain regulatory approval for our single-agent and combination therapy candidates.

We may experience delays in initiating our clinical trials and we cannot be certain that the trials or any other future clinical trials for our single-agent and combination therapy candidates will begin on time, need to be redesigned, enroll an adequate number of patients on time or be completed on schedule, if at all. Clinical trials can be delayed or terminated for a variety of reasons, including delay or failure related to:

- the FDA or comparable foreign regulatory authorities disagreeing as to the design or implementation of our clinical trials;
- the size of the study population for further analysis of the study's primary endpoints;
- the acceptance by the FDA or comparable foreign regulatory authorities on the use of any of the non-invasive or other novel diagnostics or endpoints we incorporate into our clinical development to obtain initial market authorization;
- obtaining regulatory approval to commence a trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;

- obtaining institutional review board, or IRB, approval at each site;
- recruiting suitable patients to participate in a trial;
- having patients complete a trial or return for post-treatment follow-up;
- clinical sites deviating from trial protocol or dropping out of a trial;
- addressing patient safety concerns that arise during the course of a trial;
- addressing any conflicts with new or existing laws or regulations;
- adding a sufficient number of clinical trial sites; or
- manufacturing sufficient quantities of our single-agent and combination therapy candidates for use in clinical trials.

In addition, disruptions caused by the COVID-19 pandemic may increase the likelihood that we encounter such difficulties or delays in initiating, enrolling, conducting, or completing our planned and ongoing clinical trials. We could also encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions at which such trials are being conducted, by a data monitoring committee, or DMC, for such trial or by the FDA or other regulatory authorities. Such authorities may suspend or terminate a clinical trial due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial.

Moreover, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive compensation in connection with such services. Under certain circumstances, we may be required to report some of these relationships to the FDA or comparable foreign regulatory authorities. The FDA or comparable foreign regulatory authority may conclude that a financial relationship between us and a principal investigator has created a conflict of interest or otherwise affected the interpretation of the trial. The FDA or comparable foreign regulatory authority may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval, refusal to accept or rejection, of our marketing applications by the FDA or comparable foreign regulatory authority, as the case may be, and may ultimately lead to the denial of marketing approval of our single-agent and combination therapy candidates.

If we experience delays in the completion of any clinical trial of our single-agent and combination therapy candidates or the termination of any such clinical trial, the commercial prospects of our single-agent and combination therapy candidates may be harmed, and our ability to generate drug revenues from any of these single-agent and combination therapy candidates will be delayed or not realized at all. In addition, any delays in completing our clinical trials will increase our costs, slow down our single-agent and combination therapy candidate development and approval process and jeopardize our ability to commence drug sales and generate revenues. Any of these occurrences may significantly harm our business, financial condition and prospects. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our single-agent and combination therapy candidates.

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

We may not be able to initiate or continue our planned clinical trials for our single-agent and combination therapy candidates if we are unable to identify and enroll a sufficient number of eligible patients to participate in

these trials as required by the FDA or comparable foreign regulatory authority. Patient enrollment, a significant factor in the timing of clinical trials, is affected by many factors including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the clinical trial, the design of the clinical trial, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the single-agent or combination therapy candidate being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating.

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

- the patient eligibility criteria defined in the protocol;
- the size of the patient population required for analysis of the clinical trial's primary endpoints;
- the proximity of patients to clinical sites;
- the design of the clinical trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- clinicians' and patients' perceptions as to the potential advantages of the single-agent or combination therapy candidate being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating;
- our ability to obtain and maintain patient informed consents; and
- the risk that patients enrolled in clinical trials will drop out of the trials before completion.

In addition, our clinical trials will compete with other clinical trials for single-agent and combination therapy candidates that are in the same therapeutic areas as our single-agent and combination therapy candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors.

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

We face significant competition for our drug discovery and development efforts in an environment of rapid technological and scientific change, and our single-agent and combination therapy candidates, if approved, will face significant competition, which may prevent us from achieving significant market penetration. Many of our competitors have significantly greater resources than we do, and we may not be able to successfully compete.

The pharmaceutical, biopharmaceutical and biotechnology industries in particular are characterized by rapidly advancing technologies, intense competition and a strong emphasis on developing proprietary therapeutics. Numerous companies are engaged in the development, patenting, manufacturing and marketing of healthcare products competitive with those that we are developing. We face competition from a number of sources, such as pharmaceutical, biopharmaceutical and biotechnology companies, generic drug companies and academic and research institutions.

We are aware of both pharmaceutical and biotechnology companies with development programs in NASH. Large pharmaceutical companies participating in the development of NASH treatments include, but are not limited to, AbbVie, Inc., Amgen Inc., AstraZeneca PLC/MedImmune LLC, Bayer AG, Boehringer Ingelheim,

Bristol-Myers Squibb Company, Eisai, Inc., Eli Lilly and Company, Gilead Sciences, Inc., GlaxoSmithKline plc, Johnson & Johnson, Merck & Co., Inc., Novartis Pharmaceuticals Corp., Novo Nordisk A/S, Pfizer Inc., Roche Holding AG, Sanofi, Sumitomo Dainippon Pharma Co., Ltd. and Takeda Pharmaceutical Co., Ltd.

In relation to TERN-101, companies conducting NASH clinical trials with FXR agonists include AbbVie, Inc., Enanta Pharmaceuticals, Inc., ENYO Pharma SA, Gilead Sciences, Inc., Intercept Pharmaceuticals, Inc., Metacrine, Inc. and Novartis Pharmaceuticals Corp.

TERN-201, our VAP-1 inhibitor, is a relatively novel mechanism for the treatment of NASH, and thus has little competition we are aware of. The companies who are currently developing a SSAO/VAP-1 inhibitor with NASH as a lead indication are LG Chem Ltd. and Novo Nordisk A/S.

With regards to TERN-501, companies conducting NASH clinical trials with THR-b agonists include Madrigal Pharmaceuticals, Inc. and Viking Therapeutics, Inc.

Furthermore, pharmaceutical and biotechnology companies who are developing clinical-stage drugs to treat NASH using mechanisms not mentioned above include 89Bio, Inc., Akero Therapeutics, Inc., Arrowhead Pharmaceuticals, Inc., Axcella Health, Inc., Carmot Therapeutics, Inc., Cirius Therapeutics, Inc., CohBar, Inc., Coherus Biosciences Inc., Corcept Therapeutics, Inc., CymaBay Therapeutics, Inc., Esperion Therapeutics, Inc., Galectin Therapeutics Inc., Galmed Pharmaceuticals Ltd., Hanmi Pharmaceutical Co., Ltd., Inventiva Pharma SA, Ionis Pharmaceuticals, Inc., MediciNova, Inc., NGM Biopharmaceuticals, Inc., NorthSea Therapeutics, Inc., Pliant Therapeutics, Inc., Poxel SA, Sagimet Biosciences, Inc., T3D Therapeutics, Inc. and Zydus Cadila Healthcare.

It is also probable that the number of companies seeking to develop drugs and therapies for the treatment of serious metabolic diseases, such as NASH, will increase.

Many of our competitors have greater financial resources, marketing capabilities, sales forces, manufacturing capabilities, research and development capabilities, clinical trial expertise, intellectual property portfolios, experience in obtaining patents and regulatory approvals for drug candidates and other resources than we do. Some of the companies also have a broad range of other product offerings, large direct sales forces and long-term customer relationships with our target physicians, which could inhibit our market penetration efforts. Mergers and acquisitions in the pharmaceutical, biopharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

Certain alternative treatments that may be approved and offered by competitors in the future may be available at lower prices and may offer greater efficacy or better safety profiles. Furthermore, currently approved products could be discovered to have application for the intended indication of our single-agent and combination therapy candidates, which could give such products significant regulatory and market timing advantages over any of our single-agent and combination therapy candidates. Our competitors also may obtain FDA, European Medicines Agency, or EMA, or other regulatory approval for their products more rapidly than we may obtain approval for ours and may obtain orphan product exclusivity from the FDA for indications our single-agent and combination therapy candidates are targeting, which could result in our competitors establishing a strong market position before we are able to enter the market. For additional information regarding our competition, see the section of this prospectus captioned “Business—Competition.”

We are initially developing single-agent and combination therapy candidates for the treatment of NASH, an indication for which there is currently no approved therapy in the United States or Europe. There is a heightened risk that we will not be able to gain agreement with regulatory authorities regarding an acceptable development plan, that the outcome of our clinical trials will not be favorable or that, even if favorable, regulatory authorities may not find the results of our clinical trials to be sufficient for marketing approval. This makes it difficult to predict the timing and costs of the clinical development of our single-agent and combination therapy candidates for the treatment of NASH.

Our current research and development efforts are focused on developing our single-agent and combination therapy candidates for the treatment of NASH, an indication for which there is currently no approved therapy in the United States or Europe. The regulatory approval process for novel drug candidates can be more expensive and take longer than for other, better known or extensively studied drug candidates. As other companies are in later stages of clinical trials for their potential NASH therapies, we expect that the path for regulatory approval for NASH therapies may continue to evolve as these other companies refine their regulatory approval strategies and interact with regulatory authorities. Such evolution may impact our future clinical trial designs, including trial size and approval endpoints, in ways that we cannot predict today.

In the United States, the FDA generally requires two adequate and well-controlled pivotal clinical trials to approve an NDA. Furthermore, for full approval of an NDA, the FDA requires a demonstration of efficacy based on a clinical benefit endpoint. The FDA may grant accelerated approval based on a surrogate endpoint reasonably likely to predict clinical benefit. Even though our pivotal clinical trials for a specific indication may achieve their primary endpoints and are reasonably believed by us to be likely to predict clinical benefit, the FDA may not accept the results of such trials or approve our single-agent and combination therapy candidates on an accelerated basis, or at all. It is also possible that the FDA may refuse to accept for filing and review any regulatory application we submit for regulatory approval in the United States. Even if our regulatory application is accepted for review, there may be delays in the FDA's review process and the FDA may determine that such regulatory application does not contain adequate clinical or other data or support the approval of the single-agent and combination therapy candidate. In such a case, the FDA may issue a complete response letter that may require that we conduct and/or complete additional clinical trials and preclinical studies or provide additional information or data before it will reconsider an application for approval. Any such requirements may be substantial, expensive and time-consuming, and there is no guarantee that we will continue to pursue such application or that the FDA will ultimately decide that any such application supports the approval of the single-agent or combination therapy candidate. As an example, the FDA recently returned a complete response to an NDA submitted by Intercept Pharmaceuticals, Inc. for the drug candidate obeticholic acid, or OCA, for the treatment of NASH. The efficacy of OCA for the treatment of NASH was based on the surrogate histologic endpoint of improvement of fibrosis as shown by liver biopsy with no worsening of NASH in lieu of clinical outcomes in the NASH patients enrolled in the trial, such as overall survival and time to liver transplant. Such decisions may impact our future clinical trial designs, including trial size and approval endpoints, in ways that we cannot predict today. Furthermore, the FDA may also refer any regulatory application to an advisory committee for review and recommendation as to whether, and under what conditions, the application should be approved. While the FDA is not bound by the recommendation of an advisory committee, it considers such recommendations carefully when making decisions. Delay or failure to obtain, or unexpected costs in obtaining, the regulatory approval necessary to bring a potential product to market could decrease our ability to generate sufficient revenue to maintain our business.

Even if we receive accelerated approval for any of our single-agent or combination therapy candidates, we anticipate we will be required to conduct or complete a post-approval clinical outcomes trial to confirm the clinical benefit of such single-agent and combination therapy candidates by demonstrating the correlation of the surrogate endpoint therapeutic response in patients with a significant reduction in adverse clinical outcomes over time. There can be no assurance that the clinical outcomes trial will confirm that the surrogate endpoint used as the basis of the regulatory submissions we make will eventually show an adequate correlation with clinical outcomes.

Our anticipated development costs would likely increase if development of any current or future single-agent or combination therapy candidate is delayed because we are required by the FDA to perform studies or

trials in addition to, or different from, those that we currently conduct or anticipate. Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to predict the timing or amount of any increase in our anticipated development costs.

We also may evaluate our single-agent and combination therapy candidates in combination with one or more therapies that have not yet been approved for marketing by the FDA, EMA or similar foreign regulatory authorities. We may not be able to market and sell any single-agent or combination therapy candidate we develop in combination with an unapproved therapy if that unapproved therapy does not ultimately obtain marketing approval. In addition, unapproved therapies face the same risks described with respect to our single-agent and combination therapy candidates currently in development, including the potential for serious adverse effects, delay in their clinical trials and lack of FDA or EMA approval. If the FDA, EMA or similar foreign regulatory authorities do not approve these other therapies or revoke their approval of, or if safety, efficacy, manufacturing, or supply issues arise with, the therapies we choose to evaluate in combination with our single-agent and combination therapy candidates, we may be unable to obtain approval of or market any such single-agent or combination therapy candidate.

The lack of widely-accepted non-invasive methods for the diagnosis of NASH is likely to present a major challenge to the market penetration of our single-agent and combination therapy candidates for the treatment of NASH.

Liver biopsy is the standard approach for the diagnosis of inflammation and fibrosis associated with NASH. However, the procedure-related morbidity and, in rare cases, mortality, sample errors, costs, patient discomfort and thus lack of patient interest in undergoing the procedure limit its use. As such, only patients with a high risk of NASH, which includes patients with metabolic syndrome and an indication of non-alcoholic fatty liver disease, or NAFLD, are generally referred for liver biopsy. Because NASH tends to be asymptomatic until the disease progresses, many individuals with NASH remain undiagnosed until the disease has reached its late stages. The lack of widely-accepted non-invasive methods for the diagnosis of NASH is likely to present a major challenge to the market penetration of our single-agent and combination therapy candidates for the treatment of NASH, if ever commercialized, as many practitioners and patients may not be aware that a patient suffers from NASH and requires treatment. As such, use of our single-agent and combination therapy candidates for the treatment of NASH might not be as wide-spread as our actual target market and this may limit the commercial potential of such single-agent and combination therapy candidates.

A further challenge to the market penetration for our NASH single-agent and combination therapy candidates is that currently a liver biopsy is the standard approach for measuring improvement in NASH patients. Because it would be impractical to subject all patients that take our single-agent and combination therapy candidates, if approved, to regular and repeated liver biopsies, it will be difficult to demonstrate effectiveness to practitioners and patients unless and until widely-accepted non-invasive methods for the diagnosis and monitoring of NASH become available in clinical practice and clinical trials, as to which there can be no assurance.

While non-invasive diagnostic approaches are being advanced, their use in the diagnosis of NASH and monitoring of response to treatment has not been broadly recommended in professional treatment guidelines. Moreover, some diagnostics in development have not yet been clinically validated, have uncertain timetables for clinical validation, and may also be subject to regulation by FDA or other regulatory authorities as medical devices and may require premarket clearance or approval.

Our single-agent and combination therapy candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, cause us to suspend or discontinue clinical trials, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.

Undesirable side effects caused by our single-agent and combination therapy candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the

delay or denial of regulatory approval by the FDA or comparable foreign regulatory authorities. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. To date, both TERN-101 and TERN-201 have been well-tolerated though we did observe transient elevations in transaminases in one of our Phase 1 clinical trials of TERN-101. Drugs with similar mechanism of actions to those we are developing have shown tolerability issues, including pruritus and adverse lipid changes in other FXR agonists, non-selective MAO inhibition in other VAP-1 inhibitors and potential cardiac toxicity in other THR-b agonists. As a result, it is possible that our drug candidates will display similar safety and tolerability issues and adverse events when evaluated in longer clinical trials in larger patient populations despite the results we have observed in our clinical trials to date.

If unacceptable side effects arise in the development of our single-agent and combination therapy candidates, we, the IRBs at the institutions in which our studies are conducted or the DMC could recommend suspension or termination of our clinical trials or the FDA or comparable foreign regulatory authorities could order us to cease clinical trials or deny approval of our single-agent and combination therapy candidates for any or all targeted indications. Treatment-related side effects could also affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. In addition, these side effects may not be appropriately recognized or managed by the treating medical staff. Furthermore, we may be required to expend time and incur costs to train medical personnel using our single-agent and combination therapy candidates to understand the side effect profiles for our clinical trials and upon any commercialization of any of our single-agent or combination therapy candidates. Inadequate training in recognizing or managing the potential side effects of our single-agent and combination therapy candidates could result in patient injury or death. Any of these occurrences may harm our business, financial condition and prospects significantly.

In addition, if any of our single-agent or combination therapy candidates receives marketing approval, and we or others later identify undesirable side effects caused by such drugs, a number of potentially significant negative consequences could result, including:

- we may be forced to suspend marketing of that single-agent or combination therapy, or decide to remove the single-agent or combination therapy from the marketplace;
- regulatory authorities may withdraw or change their approvals of that single-agent or combination therapy;
- regulatory authorities may require additional warnings on the label or limit access of that single-agent or combination therapy to selective specialized centers with additional safety reporting and with requirements that patients be geographically close to these centers for all or part of their treatment;
- we may be required to send “dear doctor” letters to treatment providers or create a medication guide outlining the risks of the single-agent or combination therapy for patients, or to conduct post-marketing studies;
- we may be required to change the way the single-agent or combination therapy is administered;
- we could be subject to fines, injunctions, or the imposition of criminal or civil penalties, or be sued and held liable for harm caused to subjects or patients; and
- the single-agent or combination therapy may become less competitive, and our reputation may suffer.

Any of the foregoing events could prevent us from achieving or maintaining market acceptance of the particular single-agent or combination therapy candidate, if approved, and result in the loss of significant revenues to us, which would materially and adversely affect our results of operations and business.

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

From time to time, we may publicly disclose interim, top-line or preliminary data from our clinical trials, which is based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the interim, top-line or preliminary results that we report may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Interim, top-line and preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, such data should be viewed with caution until the final data are available. From time to time, we may also disclose interim data from our clinical trials. Interim, top-line or preliminary data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Adverse differences between interim, top-line or preliminary data and final data could significantly harm our business prospects.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular single-agent or combination therapy candidate and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is the material or otherwise appropriate information to include in our disclosure, and any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular single-agent or combination therapy candidate or our business. If the interim, top-line or preliminary data that we report differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, our single-agent and combination therapy candidates may be harmed, which could harm our business, operating results, prospects or financial condition.

The regulatory approval process is lengthy, expensive and uncertain, and we may be unable to obtain regulatory approval for our single-agent and combination therapy candidates under applicable regulatory requirements. The denial or delay of any such approval would delay commercialization of our single-agent and combination therapy candidates and adversely impact our ability to generate revenue, our business and our results of operations.

The development, research, testing, manufacturing, labeling, approval, selling, import, export, marketing, promotion and distribution of drug products are subject to extensive and evolving regulation by federal, state and local governmental authorities in the United States, principally the FDA, and by foreign regulatory authorities, which regulations differ from country to country. Neither we nor any future collaborator is permitted to market any of our single-agent or combination therapy candidates in the United States until we receive regulatory approval of an NDA from the FDA.

Obtaining regulatory approval of an NDA can be a lengthy, expensive and uncertain process. Prior to obtaining approval to commercialize a single-agent or combination therapy candidate in the United States or abroad, we or our collaborators must demonstrate with substantial evidence from well-controlled clinical trials, and to the satisfaction of the FDA or other foreign regulatory authorities, that such single-agent and combination therapy candidates are safe and effective for their intended uses. The number of nonclinical studies and clinical trials that will be required for regulatory approval varies depending on the single-agent or combination therapy candidate, the disease or condition that the single-agent or combination therapy candidate is designed to address, and the regulations applicable to any particular single-agent or combination therapy candidate.

Results from nonclinical studies and clinical trials can be interpreted in different ways. Even if we believe the nonclinical or clinical data for our single-agent and combination therapy candidates are promising, such data may not be sufficient to support approval by the FDA and other regulatory authorities. Administering single-agent and combination therapy candidates to humans may produce undesirable side effects, which could interrupt, delay or halt clinical trials and result in the FDA or other regulatory authorities denying approval of a single-agent or combination therapy candidate for any or all indications. The FDA may also require us to conduct additional studies or trials for our single-agent and combination therapy candidates either prior to or post-approval, such as additional clinical pharmacology studies or safety or efficacy studies or trials, or it may object to elements of our clinical development program such as the primary endpoints or the number of subjects in our clinical trials.

The FDA or any foreign regulatory bodies can delay, limit or deny approval of our single-agent and combination therapy candidates or require us to conduct additional nonclinical or clinical testing or abandon a program for many reasons, including:

- the FDA or the applicable foreign regulatory authority's disagreement with the design or implementation of our clinical trials;
- negative or ambiguous results from our clinical trials or results that may not meet the level of statistical significance required by the FDA or comparable foreign regulatory authorities for approval;
- serious and unexpected drug-related side effects experienced by participants in our clinical trials or by individuals using drugs or combination therapies similar to our single-agent or combination therapy candidates;
- our inability to demonstrate to the satisfaction of the FDA or the applicable foreign regulatory authority that our single-agent and combination therapy candidates are safe and effective for the proposed indication;
- the FDA's or the applicable foreign regulatory authority's disagreement with the interpretation of data from nonclinical studies or clinical trials;
- our inability to demonstrate the clinical and other benefits of our single-agent and combination therapy candidates outweigh any safety or other perceived risks;
- the FDA's or the applicable foreign regulatory authority's requirement for additional nonclinical studies or clinical trials;
- the FDA's or the applicable foreign regulatory authority's disagreement regarding the formulation, labeling and/or the specifications of our single-agent and combination therapy candidates;
- the FDA's or the applicable foreign regulatory authority's failure to approve the manufacturing processes or facilities of third-party manufacturers with which we contract;
- the potential for approval policies or regulations of the FDA or the applicable foreign regulatory authorities to significantly change in a manner rendering our clinical data insufficient for approval; or
- the FDA or the applicable foreign regulatory authority's disagreement with the sufficiency of the clinical, non-clinical and/or quality data in the NDA or comparable marketing authorization application.

Of the large number of drugs in development, only a small percentage successfully complete the FDA or other regulatory approval processes and are commercialized. The lengthy development and approval process as well as the unpredictability of future clinical trial results may result in our failing to obtain regulatory approval to market our single-agent and combination therapy candidates, which would significantly harm our business, financial condition, results of operations and prospects.

Even if we eventually complete clinical testing and receive approval of an NDA or foreign marketing application for our single-agent and combination therapy candidates, the FDA or the applicable foreign

regulatory authority may grant approval contingent on the performance of costly additional clinical trials, including Phase 4 clinical trials, and/or in the case of the FDA, the implementation of a Risk Evaluation and Mitigation Strategy, or REMS, which may be required to ensure safe use of the drug after approval. The FDA or the applicable foreign regulatory authority also may approve a single-agent or combination therapy candidate for a more limited indication or a narrower patient population than we originally requested, and the FDA or applicable foreign regulatory authority may not approve the labeling that we believe is necessary or desirable for the successful commercialization of a single-agent or combination therapy candidate. Any delay in obtaining, or inability to obtain, applicable regulatory approval, or the failure to receive marketing authorization with a label that allows us to market the single-agent or combination therapy candidate as we desire, would delay, prevent or otherwise limit commercialization of that single-agent or combination therapy candidate and would materially adversely impact our business and prospects.

Our business has been and could continue to be adversely affected by the evolving and ongoing COVID-19 global pandemic in regions where we or third parties on which we rely have significant manufacturing facilities, concentrations of clinical trial sites or other business operations. The COVID-19 pandemic could adversely affect our operations, as well as the business or operations of our manufacturers or other third parties with whom we conduct business.

Our business has been and could continue to be adversely affected by the effects of the recent and evolving COVID-19 pandemic, which was declared by the World Health Organization as a global pandemic. As COVID-19 continues to spread, we may experience ongoing disruptions that could severely impact our business and clinical trials, including:

- delays or difficulties in enrolling patients in our clinical trials;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- delays in clinical sites receiving the supplies and materials needed to conduct our clinical trials, including interruption in global shipping that may affect the transport of clinical trial materials;
- changes in local regulations as part of a response to the COVID-19 outbreak which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or to discontinue the clinical trials altogether;
- the diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- the interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others, or interruption of clinical trial subject visits and study procedures, the occurrence of which could affect the integrity of clinical trial data;
- the interruption or delays in the operations of the FDA or other regulatory authorities, which may impact review and approval timelines;
- the risk that participants enrolled in our clinical trials or study staff conducting the clinical trial visits will acquire COVID-19 while the clinical trial is ongoing, which could impact the results of the clinical trial, including by increasing the number of observed adverse events, or the ability to complete study visits and collect data; and
- the refusal of the FDA to accept data from clinical trials in affected geographies.

These and other disruptions in our operations and the global economy could negatively impact our business, operating results and financial condition.

Our clinical trials have been, and may in the future be, affected by the COVID-19 pandemic. For example, the COVID-19 pandemic may impact patient enrollment in our ongoing Phase 2a clinical trial of TERN-101

(LIFT Study). In particular, some sites have in the past or may in the future pause enrollment to focus on, and direct resources to, COVID-19, while at other sites, patients may choose not to enroll or continue participating in the clinical trial as a result of the pandemic. In addition, patient visits to medical providers in the United States have slowed as a result of the COVID-19 pandemic. Further, according to the Centers for Disease Control and Prevention, people who have serious chronic medical conditions are at higher risk of getting very sick from COVID-19. As a result, potential patients in our ongoing LIFT Study or any other clinical trial may choose to not enroll, not participate in follow-up clinical visits or drop out of the trial as a precaution against contracting COVID-19. Further, some patients may not be able or willing to comply with clinical trial protocols if quarantines impede patient movement or interrupts healthcare services.

We are unable to predict with confidence the duration of such patient enrollment delays and difficulties. If patient enrollment is delayed for an extended period of time, our LIFT Study or any of our other clinical trials could be delayed or otherwise adversely affected. Similarly, our ability to recruit and retain principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19, may be adversely impacted.

In addition, ongoing or planned clinical trials may also be impacted by interruptions or delays in the operations of the FDA and comparable foreign regulatory authorities. For example, we have also made certain adjustments to the operation of our trials in an effort to ensure the monitoring and safety of patients and minimize risks to trial integrity during the pandemic in accordance with the guidance issued by the FDA, and may need to make further adjustments in the future. For example, we have initiated our clinical trial protocols to enable remote visits to mitigate any potential impacts as a result of the COVID-19 pandemic. Many of these adjustments are new and untested, may not be effective, may affect the integrity of data collected, and may have unforeseen effects on the progress and completion of our clinical trials and the findings from such clinical trials.

In addition, we may encounter a shortage in supplies of, or in delays in shipping, our study drug or other components of the clinical trial vital for successful conduct of the trial. Further, the successful conduct of our LIFT Study and our other clinical trials depend on retrieving laboratory, imaging and other data from patients. Any failure by the vendors with which we work with to send us such data could impair the progress of such clinical trials. These events could delay our clinical trials, increase the cost of completing our clinical trials and negatively impact the integrity, reliability or robustness of the data from our clinical trials.

In addition, quarantines, shelter-in-place and similar government orders, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could occur, related to COVID-19 or other infectious diseases could impact personnel at our study sites or third-party manufacturing facilities upon which we rely, or the availability or cost of materials, which could disrupt the supply chain for our drug and combination therapy candidates. To the extent our suppliers and service providers are unable to comply with their obligations under our agreements with them or they are otherwise unable to deliver or are delayed in delivering goods and services to us due to the COVID-19 pandemic, our ability to continue meeting clinical supply demand for our drug and combination therapy candidates or otherwise advancing development of our single-agent and combination therapy candidates may become impaired.

The spread of COVID-19 and actions taken to reduce its spread may also materially affect us economically. While the potential economic impact brought by, and the duration of, the COVID-19 pandemic may be difficult to assess or predict, there could be a significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity and financial position. In addition, the trading prices for other biopharmaceutical companies have been highly volatile as a result of the COVID-19 pandemic. As a result, we may face difficulties raising capital through sales of our common stock or such sales may be on unfavorable terms.

COVID-19 and actions taken to reduce its spread continue to rapidly evolve. The extent to which COVID-19 may impede the development of our single-agent and combination therapy candidates, reduce the

productivity of our employees, disrupt our supply chains, delay our clinical trials, reduce our access to capital or limit our business development activities, will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

In addition, to the extent the ongoing COVID-19 pandemic adversely affects our business and results of operations, it may also have the effect of heightening many of the other risks and uncertainties described in this "Risk Factors" section.

We have received Fast Track designation for TERN-101 and TERN-201 for the treatment of NASH, and we may seek Fast Track designation for some or all of our other single-agent and combination therapy candidates. We may not receive such designation, and even for those single-agent and combination therapy candidates for which we do, it may not lead to a faster development or regulatory review or approval process, and will not increase the likelihood that single-agent and combination therapy candidates will receive marketing approval.

We have received Fast Track designation from the FDA for TERN-101 and TERN-201 for the treatment of NASH, and we may seek Fast Track designation and priority review for some of our other single-agent and combination therapy candidates. If a drug is intended for the treatment of a serious or life-threatening condition or disease, and nonclinical or clinical data demonstrate the potential to address an unmet medical need, the drug may qualify for FDA Fast Track designation, for which sponsors must apply. The FDA has broad discretion whether or not to grant this designation. Thus, even if we believe a particular single-agent or combination therapy candidate is eligible for this designation, the FDA may decide not to grant it. Moreover, even if we do receive Fast Track designation, we or our collaborators may not experience a faster development process, review or approval compared to conventional FDA procedures. In addition, the FDA may withdraw Fast Track designation if it believes that the designation is no longer supported by data from our clinical development program.

A Breakthrough Therapy designation by the FDA, even if granted for any of our single-agent and combination therapy candidates, may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that our single-agent and combination therapy candidates will receive marketing approval.

We may seek a Breakthrough Therapy designation for one or more of our single-agent and combination therapy candidates if the clinical data support such a designation for one or more single-agent and combination therapy candidates. A Breakthrough Therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For drug candidates that have been designated as breakthrough therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development.

Designation as a Breakthrough Therapy is within the discretion of the FDA. Accordingly, even if we believe one of our single-agent or combination therapy candidates meets the criteria for designation as a Breakthrough Therapy, the FDA may disagree and instead determine not to make such designation. In any event, the receipt of a Breakthrough Therapy designation for a single-agent or combination therapy candidate may not result in a faster development process, review or approval compared to drug candidates considered for approval under non-expedited FDA review procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our single-agent or combination therapy candidates qualify as Breakthrough Therapies, the FDA may later decide that the single-agent or combination therapy no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened.

Obtaining and maintaining regulatory approval of our single-agent and combination therapy candidates in one jurisdiction does not mean that we will be successful in obtaining regulatory approval of our single-agent and combination therapy candidates in other jurisdictions.

Obtaining and maintaining regulatory approval of our single-agent and combination therapy 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 single-agent or combination therapy candidate, comparable regulatory authorities in foreign jurisdictions must also approve the manufacturing, marketing and promotion of the single-agent or combination therapy candidate in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and greater than, those in the United States, including additional preclinical studies or clinical trials as clinical studies conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions. In many jurisdictions outside the United States, a single-agent or combination therapy candidate must be approved for reimbursement before it can be approved for sale in that jurisdiction. In some cases, the price that we intend to charge for our drugs 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 drugs 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 single-agent and combination therapy candidates will be harmed.

Even if we receive regulatory approval of our single-agent and combination therapy candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense. Additionally, our single-agent and combination therapy candidates, if approved, could be subject to labeling and other restrictions on marketing or withdrawal from the market, and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our single-agent and combination therapy candidates, when and if any of them are approved.

Any regulatory approvals that we receive for our single-agent and combination therapy candidates may be subject to limitations on the approved indicated uses for which the drug may be marketed or the conditions of approval, or contain requirements for potentially costly post-market testing and surveillance to monitor the safety and efficacy of the single-agent or combination therapy candidate. The FDA may also require us to adopt a REMS to ensure that the benefits of treatment with such single-agent or combination therapy candidate outweigh the risks for each potential patient, which may include, among other things, a communication plan to health care practitioners, patient education, extensive patient monitoring or distribution systems and processes that are highly controlled, restrictive and more costly than what is typical for the industry. We or our collaborators may also be required to adopt a REMS or engage in similar actions, such as patient education, certification of health care professionals or specific monitoring, if we or others later identify undesirable side effects caused by any drug that we develop alone or with collaborators.

In addition, if the FDA or a comparable foreign regulatory authority approves a single-agent or combination therapy candidate, the manufacturing, quality control, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for the approved drug will be subject to extensive and ongoing regulatory requirements. The FDA also requires submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMP requirements and good clinical practice, or GCPs, for any clinical trials that we conduct post-approval. Later discovery of previously unknown problems with a single-agent or combination therapy candidate, 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:

- issue warning letters or untitled letters;

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

Any government investigation of alleged violations of law could require us to expend significant time and resources in response, and could generate negative publicity. Any failure to comply with ongoing regulatory requirements may significantly and adversely affect our ability to commercialize and generate revenue from our drugs. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results will be adversely affected.

Advertising and promotion of any single-agent or combination therapy candidate that obtains approval in the United States will be heavily scrutinized by the FDA, the U.S. Federal Trade Commission, the Department of Justice, the U.S. Department of Health and Human Services Office of Inspector General, state attorneys general, members of the U.S. Congress and the public. Additionally, advertising and promotion of any single-agent or combination therapy candidate that obtains approval outside of the United States will be heavily scrutinized by comparable foreign entities and stakeholders. Violations, including actual or alleged promotion of our drugs for unapproved or off-label uses, are subject to enforcement letters, inquiries and investigations, and civil and criminal sanctions by the FDA or comparable foreign bodies. Any actual or alleged failure to comply with labeling and promotion requirements may result in fines, warning letters, mandates to corrective information to healthcare practitioners, injunctions or 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 single-agent and combination therapy 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. For example, the results of the 2020 Presidential election may impact our business and industry. Namely, the Trump administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, FDA's ability to engage in routine oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict how these executive actions will be implemented or whether they will be rescinded or replaced under a Biden Administration. The policies and priorities of an incoming Administration are unknown and could materially impact the regulation of our products. 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.

Disruptions at the FDA and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire and retain key leadership and other personnel, or otherwise prevent new products and services from being developed or commercialized in a timely manner, which could negatively impact our business.

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

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including for 35 days beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical FDA employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

Separately, in response to the global COVID-19 pandemic, on March 10, 2020, the FDA announced its intention to postpone most foreign inspections of manufacturing facilities and products through April 2020, and subsequently, on March 18, 2020, the FDA temporarily postponed routine surveillance inspections of domestic manufacturing facilities. Subsequently, on July 10, 2020 the FDA announced its intention to resume certain on-site inspections of domestic manufacturing facilities subject to a risk-based prioritization system. The FDA intends to use this risk-based assessment system to identify the categories of regulatory activity that can occur within a given geographic area, ranging from mission critical inspections to resumption of all regulatory activities. Regulatory authorities outside the United States may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA or other regulatory authorities to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

The FDA and other regulatory agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. If we are found or alleged to have improperly promoted off-label uses, we may become subject to significant liability.

The FDA and other regulatory agencies strictly regulate the promotional claims that may be made about prescription drugs, as our single-agent and combination therapy candidates would be, if approved. In particular, a drug may not be promoted for uses that are not approved by the FDA or such other regulatory agencies as reflected in the drug's approved labeling. Physicians may nevertheless prescribe such drugs to their patients in a manner that is inconsistent with the approved label. If we are found to have promoted such off-label uses, we may become subject to significant liability. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed. If we cannot successfully manage the promotion of our single-agent and combination therapy candidates, if approved, we could become subject to significant liability, which would materially adversely affect our business and financial condition.

Risks related to our reliance on third parties

We rely completely on third parties to manufacture our clinical drug supplies and we intend to rely on third parties to produce commercial supplies of any approved single-agent or combination therapy candidate, and our commercialization of any of our single-agent or combination therapy candidates could be stopped, delayed or made less profitable if those third parties fail to obtain approval of the FDA or comparable regulatory authorities, fail to provide us with sufficient quantities of drug product or fail to do so at acceptable quality levels or prices.

We do not currently have nor do we plan to acquire the infrastructure or capability internally to manufacture our clinical drug supplies for use in the conduct of our clinical trials, and we lack the resources and the capability to manufacture any of our single-agent or combination therapy candidates on a clinical or commercial scale. The facilities used by our contract manufacturers to manufacture our single-agent and combination therapy candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit our NDA to the FDA. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for compliance with cGMPs for manufacture of both active drug substances and finished drug products. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or others, they will not be able to secure and/or maintain regulatory approval for their manufacturing facilities. In addition, we have no control over the ability of our contract 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 single-agent and combination therapy 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 market our single-agent and combination therapy candidates, if approved.

Any replacement of our manufacturers could require significant effort and expertise because there may be a limited number of qualified replacements. In some cases, the technology required to manufacture our single-agent and combination therapy candidates may be unique to the original manufacturer and we may have difficulty transferring such skills or technology to another third party. The process of changing manufacturers is extensive and time consuming and could cause delays or interruptions in our drug development. Further, if we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop single-agent and combination therapy candidates in a timely manner or within budget.

We rely on our manufacturers to purchase from third-party suppliers the materials necessary to produce our single-agent and combination therapy candidates for our clinical trials. There are a limited number of suppliers for raw materials that we use to manufacture our drugs and there may be a need to assess alternate suppliers to prevent a possible disruption of the manufacture of the materials necessary to produce our single-agent and combination therapy candidates for our clinical trials, and if approved, ultimately for commercial sale. We do not have any control over the process or timing of the acquisition of these raw materials by our manufacturers. Moreover, we currently do not have any agreements for the commercial production of these raw materials. Although we generally do not begin a clinical trial unless we believe we have a sufficient supply of a single-agent or combination therapy candidate to complete the clinical trial, any significant delay in the supply of a single-agent or combination therapy candidate, or the raw material components thereof, for an ongoing clinical trial due to the need to replace a third-party manufacturer could considerably delay completion of our clinical trials, product testing and potential regulatory approval of our single-agent and combination therapy candidates. If our manufacturers or we are unable to purchase these raw materials after regulatory approval has been obtained for our single-agent and combination therapy candidates, the commercial launch of our single-agent and combination therapy candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenues from the sale of our single-agent and combination therapy candidates.

We, or our manufacturing partners, may be unable to successfully increase the manufacturing capacity for any of our single-agent or combination therapy candidates in a timely or cost-effective manner, or at all. In

addition, quality issues may arise during scale-up activities. If we or our manufacturing partners are unable to successfully scale up the manufacture of our single-agent and combination therapy candidates in sufficient quality and quantity, the development, testing and clinical trials of that single-agent or combination therapy candidate may be delayed or become infeasible, and marketing approval or commercial launch of any resulting product may be delayed or not obtained, which could significantly harm our business.

We expect to continue to depend on third-party contract manufacturers for the foreseeable future. We have not entered into long-term agreements with our current contract manufacturers or with any alternate fill/finish suppliers, and though we intend to do so prior to commercial launch in order to ensure that we maintain adequate supplies of finished drug product, we may be unable to enter into such an agreement or do so on commercially reasonable terms, which could have a material adverse impact upon our business. We currently obtain our supplies of finished drug product through individual purchase orders.

We rely on third parties to conduct, supervise and monitor our preclinical and clinical trials. If these third parties do not successfully carry out their contractual duties, meet rigorously enforced regulatory standards or meet expected deadlines, we may be unable to obtain regulatory approval for or commercialize any of our single-agent or combination therapy candidates on a timely basis or at all.

We currently do not have the ability to independently conduct preclinical studies that comply with the regulatory requirements known as good laboratory practice, or GLP, requirements. The FDA and regulatory authorities in other jurisdictions require us to comply with GCP requirements for conducting, monitoring, recording and reporting the results of clinical trials, in order to ensure that the data and results are scientifically credible and accurate and that the trial subjects are adequately informed of the potential risks of participating in clinical trials. We rely on medical institutions, clinical investigators, contract laboratories and other third parties, such as CROs, to conduct GLP-compliant nonclinical studies and GCP-compliant clinical trials on our single-agent and combination therapy candidates properly and on time. While we will have agreements governing their activities, we control only certain aspects of their activities and have limited influence over their actual performance. The third parties with whom we contract for execution of our GLP nonclinical studies and our GCP clinical trials play a significant role in the conduct of these studies and trials and the subsequent collection and analysis of data. These third parties are not our employees and, except for restrictions imposed by our contracts with such third parties, we have limited ability to control the amount or timing of resources that they devote to our programs. Although we rely on these third parties to conduct our GLP-compliant preclinical and nonclinical studies and GCP-compliant clinical trials, we remain responsible for ensuring that each of our GLP preclinical studies and clinical trials is conducted in accordance with its investigational plan and protocol and applicable laws and regulations, and our reliance on the CROs does not relieve us of our regulatory responsibilities.

Many of the third parties with whom we contract 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 that could harm our competitive position. If the third parties conducting our GLP preclinical or nonclinical studies or our clinical trials do not perform their contractual duties or obligations, experience work stoppages, do not meet expected deadlines, terminate their agreements with us or need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised due to their failure to adhere to our clinical trial protocols or to GCPs, or for any other reason, we may need to enter into new arrangements with alternative third parties. This could be difficult, costly or impossible, and our preclinical studies or clinical trials may need to be extended, delayed, terminated or repeated. As a result we may not be able to obtain regulatory approval in a timely fashion, or at all, for the applicable single-agent or combination therapy candidate, our financial results and the commercial prospects for our single-agent and combination therapy candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

We depend on collaborations with third parties for the development of certain of our drug candidates, and we may depend on additional collaborations in the future for the development and commercialization of these or other potential candidates. If our collaborations are not successful, our ability to develop and commercialize our single-agent and combination therapy candidates could be adversely affected.

We are currently collaborating with third parties to develop certain of our potential drug candidates. For example, we are collaborating with Hansoh (Shanghai) Healthtech Co., Ltd. and Jiangsu Hansoh Pharmaceutical Group Company Ltd. with respect to certain aspects of TRN-000632, our small-molecule allosteric inhibitor of the BCR-ABL fusion gene. In the future, we may seek collaboration arrangements for the commercialization, or potentially for the development, of certain of our other single-agent and combination therapy candidates depending on the merits of retaining commercialization rights for ourselves as compared to entering into collaboration arrangements. For example, certain of the disease areas that we believe our single-agent and combination therapy candidates address require large, costly and later-stage clinical trials, which a collaboration partner may be better positioned to finance and/or conduct. In addition, a component of our strategy is to maximize the commercial value of our current and future single-agent and combination therapy candidates, which may also strategically align with partnering commercial rights with partners that have large and established sales organizations. To the extent that we decide to enter into collaboration agreements, we may face significant competition for appropriate collaborators. Moreover, collaboration arrangements are complex and time-consuming to negotiate, document, implement and maintain and challenging to manage. We may not be successful in our efforts to enter into collaboration agreements. The terms of collaborations or other arrangements that we may establish may not be favorable to us.

The success of our current and future collaboration arrangements will depend heavily on the efforts and activities of our collaborators. Collaborations are subject to numerous risks, which may include risks that:

- collaborators have significant discretion in determining the efforts and resources that they will apply to collaborations;
- collaborators may not pursue development and commercialization of our single-agent and combination therapy candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in their strategic focus due to their acquisition of competitive products or their internal development of competitive products, availability of funding or other external factors, such as a business combination that diverts resources or creates competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial, abandon a single-agent or combination therapy candidate, repeat or conduct new clinical trials or require a new formulation of a single-agent or combination therapy candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our single-agent and combination therapy candidates;
- collaborators with marketing, manufacturing and distribution rights to one or more drugs may not commit sufficient resources to or otherwise not perform satisfactorily in carrying out these activities;
- we could grant exclusive rights to our collaborators that would prevent us from collaborating with others;
- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and collaborators that cause the delay or termination of the research, development or commercialization of our current or future single-agent and combination therapy candidates or that result in costly litigation or arbitration that diverts management attention and resources;

- collaborations may be terminated, and, if terminated, this may result in a need for additional capital to pursue further development or commercialization of the applicable current or future single-agent and combination therapy candidates;
- collaborators may own or co-own intellectual property covering drugs and other research that result from our collaborating with them, and in such cases, we would not have the exclusive right to develop or commercialize such intellectual property and may not be able to commercialize such intellectual property without their consent;
- disputes may arise with respect to the ownership of any intellectual property developed pursuant to our collaborations; and
- collaborators' sales and marketing activities or other operations may not be in compliance with applicable laws resulting in civil or criminal proceedings.

If our collaborations on research and development candidates do not result in the successful development and commercialization of products or if one of our collaborators terminates its agreement with us, we may not receive any future milestone or royalty payments under the collaboration.

If conflicts arise between us and our collaborators or strategic partners, these parties may act in a manner adverse to us and could limit our ability to implement our strategies.

If conflicts arise between our collaborators or strategic partners and us, the other party may act in a manner adverse to us and could limit our ability to implement our strategies. Current or future collaborators or strategic partners may develop, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations.

Our current or future collaborators or strategic partners may preclude us from entering into collaborations with their competitors, fail to obtain timely regulatory approvals, terminate their agreements with us prematurely or fail to devote sufficient resources to the development and commercialization of products. Furthermore, competing products, either developed by our current or future collaborators or strategic partners or to which our collaborators or strategic partners may have rights, may result in the withdrawal of partner support for our single-agent and combination therapy candidates. Any of these developments could harm our product development efforts.

Risks related to commercialization of our single-agent and combination therapy candidates

The successful commercialization of our single-agent and combination therapy candidates will depend in part on the extent to which governmental authorities and health insurers establish adequate coverage, reimbursement levels and pricing policies. Failure to obtain or maintain coverage and adequate reimbursement for our single-agent and combination therapy candidates, if approved, could limit our ability to market those drugs and decrease our ability to generate revenue.

The availability and adequacy of coverage and reimbursement by governmental healthcare programs such as Medicare and Medicaid, private health insurers and other third-party payors are essential for most patients to be able to afford prescription medications such as our single-agent and combination therapy candidates, assuming FDA approval. Our ability to achieve acceptable levels of coverage and reimbursement for products by governmental authorities, private health insurers and other organizations will have an effect on our ability to successfully commercialize our single-agent and combination therapy candidates. Assuming we obtain coverage for our single-agent and combination therapy candidates by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. We cannot be sure that coverage and reimbursement in the United States, the European Economic Area, or EEA, or elsewhere will be available for our single-agent and combination therapy candidates or any product that we may develop, and any reimbursement that may become available may be decreased or eliminated.

Third-party payors increasingly are challenging prices charged for pharmaceutical products and services, and many third-party payors may refuse to provide coverage and reimbursement for particular drugs or biologics when an equivalent generic drug, biosimilar or a less expensive therapy is available. It is possible that a third-party payor may consider our single-agent and combination therapy candidates as substitutable and only offer to reimburse patients for the less expensive drug. Even if we show improved efficacy or improved convenience of administration with our single-agent and combination therapy candidates, pricing of existing third-party therapeutics may limit the amount we will be able to charge for our single-agent and combination therapy candidates. These payors may deny or revoke the reimbursement status of a given product or establish prices for new or existing marketed products at levels that are too low to enable us to realize an appropriate return on our investment in our single-agent and combination therapy candidates. For products administered under the supervision of a physician, obtaining coverage and adequate reimbursement may be particularly difficult because of the higher prices often associated with such drugs. Additionally, separate reimbursement for the product itself or the treatment or procedure in which the product is used may not be available, which may impact physician utilization. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize our single-agent and combination therapy candidates, and may not be able to obtain a satisfactory financial return on our single-agent and combination therapy candidates.

No uniform policy for coverage and reimbursement for products exists among third-party payors in the United States. Therefore, coverage and reimbursement for products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our single-agent and combination therapy candidates to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance. Furthermore, rules and regulations regarding reimbursement change frequently, in some cases on short notice, and we believe that changes in these rules and regulations are likely.

Outside the United States, international operations are generally subject to extensive governmental price controls and other market regulations, and we believe the increasing emphasis on cost-containment initiatives in Europe and other countries have and will continue to put pressure on the pricing and usage of our single-agent and combination therapy candidates. In many countries, the prices of medical products are subject to varying price control mechanisms as part of national health systems. Other countries allow companies to fix their own prices for medical products, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our single-agent and combination therapy candidates. Accordingly, in markets outside the United States, the reimbursement for our single-agent and combination therapy candidates may be reduced compared with the United States and may be insufficient to generate commercially-reasonable revenue and profits.

Moreover, increasing efforts by governmental and third-party payors in the United States and abroad to cap or reduce healthcare costs may cause such organizations to limit both coverage and the level of reimbursement for newly approved products and, as a result, they may not cover or provide adequate payment for our single-agent and combination therapy candidates. We expect to experience pricing pressures in connection with the sale of our single-agent and combination therapy candidates due to the trend toward managed health care, the increasing influence of health maintenance organizations and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs and biologics and surgical procedures and other treatments, has become intense. As a result, increasingly high barriers are being erected to the entry of new products.

Even if our current or future single-agent and combination therapy candidates obtain regulatory approval, they may fail to achieve the broad degree of physician and patient adoption and use necessary for commercial success.

Even if one or more of our single-agent or combination therapy candidates receive FDA or other regulatory approvals, the commercial success of any of our current or future single-agent and combination therapy

candidates will depend significantly on the broad adoption and use of the resulting product by physicians and patients for approved indications. Given the number of drugs in development for the treatment of NASH, if we are unsuccessful in achieving a differentiated profile with our single-agent and combination therapy candidates based on efficacy, safety and tolerability, dosing and administration, market acceptance will be limited. Our single-agent and combination therapy candidates may not be commercially successful for a variety of reasons, including, among other things, competitive factors, pricing or physician preference, reimbursement by insurers, the degree and rate of physician and patient adoption of our current or future single-agent and combination therapy candidates. If approved, the commercial success of our single-agent and combination therapy candidates will depend on a number of factors, including:

- the clinical indications for which the single-agent or combination therapy is approved and patient demand for approved drugs that treat those indications;
- the safety and efficacy of our single-agent or combination therapy as compared to other available therapies;
- the availability of coverage and adequate reimbursement from managed care plans, insurers and other healthcare payors for any of our single-agent and combination therapy candidates that may be approved;
- acceptance by physicians, operators of clinics and patients of the single-agent or combination therapy as a safe and effective treatment;
- physician and patient willingness to adopt a new therapy over other available therapies to treat approved indications;
- overcoming any biases physicians or patients may have toward particular therapies for the treatment of approved indications;
- proper training and administration of our single-agent and combination therapy candidates by physicians and medical staff;
- public misperception regarding the use of our therapies, if approved for commercial sale;
- patient satisfaction with the results and administration of our single-agent and combination therapy candidates and overall treatment experience, including, for example, the convenience of any dosing regimen;
- the cost of treatment with our single-agent and combination therapy candidates in relation to alternative treatments and reimbursement levels, if any, and willingness to pay for the drug, if approved, on the part of insurance companies and other third-party payors, physicians and patients;
- the revenue and profitability that our drugs and combination therapies may offer a physician as compared to alternative therapies;
- the prevalence and severity of side effects;
- limitations or warnings contained in the FDA-approved labeling for our drugs;
- the willingness of physicians, operators of clinics and patients to utilize or adopt our drugs and combination therapies as a solution;
- any FDA requirement to undertake a REMS;
- the effectiveness of our sales, marketing and distribution efforts;
- adverse publicity about our drugs and combination therapies or favorable publicity about competitive drugs; and
- potential product liability claims.

We cannot assure you that our current or future single-agent and combination therapy candidates, if approved, will achieve broad market acceptance among physicians and patients. Any failure by our single-agent and combination therapy candidates that obtain regulatory approval to achieve market acceptance or commercial success would adversely affect our results of operations.

We currently have no sales organization. If we are unable to establish sales capabilities on our own or through third parties, we may not be able to market and sell our single-agent and combination therapy candidates, if approved, effectively in the United States and foreign jurisdictions or generate drug revenue.

We currently do not have a marketing or sales organization. In order to commercialize our single-agent and combination therapy candidates in the United States and foreign jurisdictions, we must build our marketing, sales, distribution, managerial and other non-technical capabilities or make arrangements with third parties to perform these services, and we may not be successful in doing so. If any of our single-agent or combination therapy candidates receive regulatory approval, we expect to establish a sales organization with technical expertise and supporting distribution capabilities to commercialize each such single-agent or combination therapy candidate, which will be expensive and time consuming. We have no prior experience in the marketing, sale and distribution of pharmaceutical, biopharmaceutical and biotechnology products, and there are significant risks involved in building and managing a sales organization, including our ability to hire, retain and incentivize qualified individuals, generate sufficient sales leads, provide adequate training to sales and marketing personnel and effectively manage a geographically dispersed sales and marketing team. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of these products. We may choose to collaborate with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems. If we are unable to enter into such arrangements on acceptable terms or at all, we may not be able to successfully commercialize our single-agent and combination therapy candidates. If we are not successful in commercializing our single-agent and combination therapy candidates or any future single-agent and combination therapy candidates, either on our own or through arrangements with one or more third parties, we may not be able to generate any future drug revenue and we would incur significant additional losses.

Our employees, principal investigators, consultants and commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of fraud or other misconduct by our employees, principal investigators, CROs, consultants and commercial partners. Misconduct by these parties could include intentional failures to comply with the regulations of the FDA and non-U.S. regulators, provide accurate information to the FDA and non-U.S. regulators, comply with healthcare fraud and abuse laws and regulations in the United States and abroad, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Such misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us those actions could have a significant impact on our business, including the imposition of significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, contractual damages, reputational harm, diminished profits and future earnings, additional reporting obligations and oversight if subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations.

Our business operations and future relationships with investigators, healthcare professionals, consultants, third-party payors, patient organizations and customers will be subject to applicable healthcare regulatory laws, which could expose us to penalties.

Our business operations and future arrangements with investigators, healthcare professionals, consultants, third-party payors, patient organizations and customers, may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations. These laws may constrain the business or financial arrangements and relationships through which we will conduct our operations, including how we research, market, sell and distribute our single-agent and combination therapy candidates, if approved. Such laws include:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or providing any remuneration (including any kickback, bribe, or certain rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service, for which payment may be made, in whole or in part, under U.S. federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the U.S. federal false claims and civil monetary penalties laws, including the civil False Claims Act, which, among other things, impose criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the U.S. federal government, claims for payment or approval that are false or fraudulent, knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services; similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the U.S. federal Physician Payments Sunshine Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid or the Children's Health Insurance Program to report annually to the government information related to certain payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by the physicians described above and their immediate family members. Beginning in 2022, such obligations will include payments and other transfers of value provided in the previous year to certain other healthcare professionals, including physician assistants, nurse practitioners, clinical nurse specialists, certified nurse anesthetists, anesthesiology assistants and certified nurse midwives;
- analogous U.S. state laws and regulations, including: state anti-kickback and false claims laws, which may apply to our future business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; and state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires

tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; and

- similar healthcare laws and regulations in the EEA and other jurisdictions, including reporting requirements detailing interactions with and payments to healthcare providers.

Ensuring that our internal operations and future business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, exclusion from government-funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, disgorgement, individual imprisonment, contractual damages, reputational harm, diminished profits and the curtailment or restructuring of our operations.

Enacted and future healthcare legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our single-agent and combination therapy candidates and may affect the prices we may set.

In the United States, the EEA and other jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes and proposed changes to the healthcare system that could affect our future results of operations. In particular, there have been and continue to be a number of initiatives at the U.S. federal and state levels that seek to reduce healthcare costs and improve the quality of healthcare. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively the ACA, was enacted, which substantially changed the way healthcare is financed by both governmental and private insurers. Among the provisions of the ACA, those of greatest importance to the pharmaceutical and biotechnology industries include the following:

- an annual, non-deductible fee payable by any entity that manufactures or imports certain branded prescription drugs and biologic agents (other than those designated as orphan drugs), which is apportioned among these entities according to their market share in certain government healthcare programs;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 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;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13.0% of the average manufacturer price for branded and generic drugs, respectively;
- 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;
- extension of a manufacturer's Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations; and
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. The U.S. Supreme

Court is currently reviewing the case, although it is unclear when the Supreme Court will make a decision. It is also unclear how other efforts to challenge, repeal or replace the ACA will affect the law or our business.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. For example, the Budget Control Act of 2011 resulted in aggregate reductions of Medicare payments to providers of 2% per fiscal year, which went into effect in April 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2030, with the exception of a temporary suspension from May 1, 2020 through March 31, 2021, unless additional action is taken by Congress. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws or any other similar laws introduced in the future may result in additional reductions in Medicare and other health care funding, which could negatively affect our future customers and accordingly, our financial operations.

Moreover, payment methodologies may be subject to changes in healthcare legislation and regulatory initiatives. For example, the Centers for Medicare and Medicaid Services, or CMS, may develop new payment and delivery models, such as bundled payment models. In addition, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products. We expect that additional U.S. federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that the U.S. federal government will pay for healthcare products and services, which could result in reduced demand for our single-agent and combination therapy candidates or additional pricing pressures.

Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Legally-mandated price controls on payment amounts by third-party payors or other restrictions could harm our business, results of operations, financial condition and prospects. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. This could reduce the ultimate demand for our single-agent and combination therapy candidates or put pressure on our product pricing.

We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action in the United States or any other jurisdiction. If we or any third parties we may engage are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or such third parties are not able to maintain regulatory compliance, our single-agent and combination therapy candidates may lose any regulatory approval that may have been obtained and we may not achieve or sustain profitability.

If the market opportunities for any single-agent or combination therapy that we or our strategic collaborators develop are smaller than we believe they are, our revenue may be adversely affected and our business may suffer.

We intend to initially focus our single-agent and combination therapy candidate development on therapies for the treatment of NASH and other liver and other chronic liver diseases. Our projections of addressable patient populations that have the potential to benefit from treatment with our single-agent and combination therapy candidates are based on estimates. These estimates have been derived from a variety of sources, including the scientific literature, surveys of clinics, patient foundations or market research, and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these diseases. The number of patients may turn out to be lower than expected. Additionally, the potentially addressable patient population for our

single-agent and combination therapy candidates may not ultimately be amenable to treatment with our single-agent and combination therapy candidates. Our market opportunity may also be limited by future competitor treatments that enter the market. If any of our estimates are inaccurate, the market opportunities for any of our single-agent and combination therapy candidates could be significantly diminished and have an adverse material impact on our business.

Risks Related to Intellectual Property

Our current and any future single-agent and combination therapy candidates could be alleged to infringe patent rights and other intellectual property rights of third parties, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages and/or limit our ability to commercialize our drugs and combination therapy candidates.

Our commercial success depends on our ability to develop, manufacture and market our current and any future single-agent and combination therapy candidates that may be approved for sale, and to use our proprietary technology without infringing the patents and other intellectual property rights of third parties. If any third-party patents, or other intellectual property rights are found to cover our single-agent and combination therapy candidates or their compositions, methods of use or manufacturing, we may be required to pay damages, which could be substantial, and we would not be free to manufacture or market our single-agent and combination therapy candidates or to do so without obtaining a license, which may not be available on commercially reasonable terms, or at all. Regardless of merits, intellectual property disputes can be costly to defend, time-consuming and may cause our business, operating results and financial condition to suffer.

We operate in an industry with extensive intellectual property litigation. As the pharmaceutical, biopharmaceutical and biotechnology industries expand and more patents are issued, the risk increases that there may be patents issued to third parties that relate to our products and technology of which we are not aware or that we may need to challenge to continue our operations as currently contemplated.

From time to time, we may be subject to legal proceedings and claims with respect to intellectual property with respect to our single-agent and combination therapy candidates and technologies we use in our business. We may face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including patents held by our competitors or by non-practicing entities. Litigation may make it necessary to defend ourselves by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. Interference or derivation proceedings provoked by third parties or brought by us or declared by the United States Patent and Trademark Office, or USPTO, may be necessary to determine the priority of inventions with respect to our patents or patent applications or those of our licensors. Regardless of whether claims that we are infringing patents or other intellectual property rights have merit, the claims can be time consuming, divert management attention and financial resources and are costly to evaluate and defend. Results of any such litigation are difficult to predict and may require us to cease developing, manufacturing, or commercializing the infringing single-agent and combination therapy candidate, stop treating certain conditions, obtain licenses or modify our drugs or combination therapies and features while we develop non-infringing substitutes, or may result in significant settlement costs. For example, litigation can involve substantial damages for infringement, and if the court finds that the infringement was willful, we could be ordered to pay treble damages and the patent owner’s attorneys’ fees. We may also be prohibited from selling or licensing our single-agent and combination therapy candidates unless the third party licenses rights to us, which it is not required to do at a commercially reasonable price or at all. If a license is available from a third party, we may have to pay substantial royalties or upfront fees or grant cross-licenses to intellectual property rights for our single-agent and combination therapy candidates.

Although we have reviewed certain third-party patent filings that we believe may be relevant to certain of our single-agent and combination therapy candidates, we have not conducted a freedom-to-operate search or analysis for all of our single-agent and combination therapy candidates. As such, we may not be aware of patents

or pending or future patent applications that, if issued, would block us from commercializing our single-agent and combination therapy candidates. Thus, we cannot guarantee that our single-agent and combination therapy candidates, or our commercialization thereof, do not and will not infringe any third party's intellectual property.

In addition, patent applications in the United States and many international jurisdictions are typically not published until 18 months after the filing of certain priority documents (or, in some cases, are not published until they issue as patents), and publications in the scientific literature often lag behind actual discoveries. Claims in patent applications can also be revised before issuance. Therefore, we cannot be certain that others have not filed patent applications or made public disclosures relating to our technology or our contemplated technology. A third party may have filed, and may in the future file, patent applications covering our single-agent and combination therapy candidates or technology similar to ours. Any such patent application may have priority over our patent applications or patents, which could further require us to obtain rights to issued patents covering such technologies. If another party has filed a U.S. patent application on inventions similar to ours, depending on whether the timing of the filing date falls under certain patent laws, we may have to participate in a priority contest (such as an interference proceeding) declared by the USPTO to determine priority of invention in the United States. The costs of patent litigation and other proceedings could be substantial, and it is possible that such efforts would be unsuccessful if it is determined that the other party had independently arrived at the same or similar invention prior to our own invention, resulting in a loss of our U.S. patent position with respect to such invention.

The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we were sued for patent infringement, we would need to demonstrate that our single-agent and combination therapy candidates either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be successful in doing so. Proving invalidity or unenforceability is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we believe third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of infringement, validity, or enforceability.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can. Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common stock. Any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

There can be no assurance with respect to the outcome of any future litigation brought by or against us, and the outcome of any such litigation could have a material adverse impact on our business, operating results and financial condition. Litigation is inherently unpredictable, and outcomes are uncertain. Further, as the costs and outcome of these types of claims and proceedings can vary significantly, it is difficult to estimate potential losses that may occur. Such claims and proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Accordingly, we are unable at this time to estimate the effects of these potential future lawsuits on our financial condition, operations or cash flows.

We may be subject to claims by employees, consultants and contractors claiming ownership of what we regard as our own intellectual property.

While it is our policy to require our employees, consultants and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to

us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property. In addition, such agreements may not be self-executing such that the intellectual property subject to such agreements may not be assigned to us without additional assignments being executed, and we may fail to obtain such assignments. In addition, such agreements may be breached. Accordingly, we may be forced to bring claims against third parties, or defend claims that they may bring against us to determine the ownership of what we regard as our intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our senior management and scientific personnel, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

If we are unable to obtain, maintain and enforce intellectual property protection directed to our current and any future technologies that we develop, others may be able to make, use or sell drugs or combination therapies substantially the same as ours, which could adversely affect our ability to compete in the market.

The market for pharmaceuticals and biopharmaceuticals is highly competitive and subject to rapid technological change. Our success depends, in part, upon our ability to maintain a competitive position in the development and protection of technologies and any future single agent or combination therapy candidates for use in these fields and upon our ability to obtain, maintain and enforce our intellectual property rights. We seek to obtain and maintain patents and other intellectual property rights to restrict the ability of others to market products that misappropriate our technology and/or infringe our intellectual property to unfairly and illegally compete with any of our single-agent or combination therapy candidates. If we are unable to protect our intellectual property and proprietary rights, our competitive position and our business could be harmed, as third parties may be able to make, use or sell products that are substantially the same as any single agent or combination therapy candidates we may sell without incurring the sizeable development and licensing costs that we have incurred, which would adversely affect our ability to compete in the market. We use a combination of patents, trademarks, know-how, confidentiality procedures and contractual provisions to protect our proprietary technology and that of our licensors. However, these protections may not be adequate and may not provide us with any competitive advantage. For example, patents may not issue from any of our or our licensors' currently pending or any future patent applications, and our or our licensors' issued patents and any future patents that may issue may not survive legal challenges to their scope, validity or enforceability or provide significant protection for us.

To protect our proprietary position, we file patent applications in the United States and abroad related to our single-agent and combination therapy candidates that we consider important to our business. The patent application and approval process is expensive, time-consuming and complex. We may not be able to file, prosecute and maintain all necessary or desirable patent applications at a reasonable cost or in a timely manner or in all jurisdictions. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, depending on the terms of any future license or collaboration agreements to which we may become a party, we may not have the right to control the preparation, filing, and prosecution of patent applications, or to maintain the patents, covering technology licensed from third parties. Therefore, these patents and patent applications may not be prosecuted and enforced in a manner consistent with the best interests of our business.

Furthermore, the patent position of biotechnology and pharmaceutical companies generally is highly uncertain. No consistent policy regarding the breadth of claims allowed in biotechnology and pharmaceutical patents has emerged to date in the United States or in many foreign jurisdictions. The standards applied by the USPTO and foreign patent offices in granting patents are not always applied uniformly or predictably. In addition, the determination of patent rights with respect to biological and pharmaceutical products commonly involves complex legal and factual questions, which have in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly

uncertain. Thus, we cannot offer any assurances about which, if any, patents will issue, the breadth of any such patents, whether any issued patents will be found invalid and unenforceable or will be threatened by third parties or whether any issued patents will effectively prevent others from commercializing competing technologies and single-agent and combination therapy candidates.

The USPTO, international patent offices or judicial bodies may deny or significantly narrow claims made under our patent applications, and our issued patents may be successfully challenged, may be designed around or may otherwise be of insufficient scope to provide us with protection for our drugs or combination therapies. Further, the USPTO, international trademark offices or judicial bodies may deny our trademark applications and, even if published or registered, these trademarks may not effectively protect our brand and goodwill. Like patents, trademarks also may be successfully opposed or challenged.

We cannot be certain that the steps we have taken will prevent unauthorized use or unauthorized reverse engineering of our technology. Moreover, third parties may independently develop technologies that are competitive with ours and such competitive technologies may or may not infringe our intellectual property. The enforcement of our intellectual property rights also depends on the success of any legal actions we may take against these infringers in the respective country or forum, but these actions may not be successful. As with all granted intellectual property, such intellectual property may be challenged, invalidated or circumvented, may not provide protection and/or may not prove to be enforceable in actions against specific alleged infringers.

Even if our patents are determined by a court to be valid and enforceable, they may not be interpreted sufficiently broadly to prevent others from marketing products similar to ours or designing around our patents. For example, third parties may be able to make products that are similar to ours but that are not covered by the claims of our patents. Third parties may assert that we or our licensors were not the first to make the inventions covered by our issued patents or pending patent applications. The claims of our or our licensors' issued patents or patent applications when issued may not cover our single-agent or combination therapy candidates or any future drugs or combination therapies that we develop. We may not have freedom to commercialize unimpeded by the patent rights of others. Third parties may have patents that dominate, block or are otherwise relevant to our technology. There may be prior public disclosures or other art that could be deemed to invalidate one or more of our patent claims. Further, we may not develop additional proprietary technologies in the future, and, if we do, they may not be patentable.

We may not be able to correctly estimate or control our future operating expenses in relation to obtaining intellectual property, enforcing intellectual property and/or defending intellectual property, which could affect operating expenses. Our operating expenses may fluctuate significantly in the future as a result of a variety of factors, including the costs of preparing, filing, prosecuting, defending and enforcing patent and trademark claims and other intellectual property-related costs, including adverse proceedings and litigation costs.

We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time consuming, and unsuccessful. Further, our issued patents could be found invalid or unenforceable if challenged in court.

Competitors may infringe our intellectual property rights or those of our licensors. To prevent infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. In addition, in a patent infringement proceeding, a court may decide that one or more patent of ours or any of our current licensors or future licensors is not valid or is unenforceable, in whole or in part, or may refuse to stop the other party from using the technology at issue on the grounds that our or our licensors' patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our or our licensors' patents at risk of being invalidated or interpreted narrowly, which may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products, and could put our or our licensors' patent applications at risk of not issuing. If we or any of our potential future collaborators were to initiate legal proceedings against a third party to enforce a patent directed at our products,

the defendant could counterclaim that our or our licensors' patent is invalid and/or unenforceable in whole or in part. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge include an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could also include an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO or made a misleading statement during prosecution. Third parties may also raise similar validity claims before the USPTO in post-grant proceedings such as *ex parte* reexaminations, inter partes review or post-grant review, or oppositions or similar proceedings outside the United States, in parallel with litigation or even outside the context of litigation.

If a defendant were to prevail on a legal assertion of invalidity or unenforceability of our or our licensors' patents covering one of our single-agent or combination therapy candidates, we could lose a part, and perhaps all, of the patent protection covering such candidate. Competing products may also be sold in other countries in which our patent coverage might not exist or be as strong. If we lose a foreign patent lawsuit, alleging our infringement of a competitor's patents, we could be prevented from marketing our products in one or more foreign countries. Any of these occurrences could adversely affect our competitive business position, business prospects and financial condition.

The outcome following legal assertions of invalidity and unenforceability is unpredictable, and prior art could render our patents or those of our licensors invalid. Similar mechanisms for challenging the validity and enforceability of a patent exist in ex-U.S. patent offices and may result in the revocation, cancellation, or amendment of any ex-U.S. patents we hold in the future. For the patents and patent applications that we may license in the future, we may have limited or no right to participate in the defense of any licensed patents against challenge by a third party. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on such single-agent or combination therapy candidate. Such a loss of patent protection would have a material adverse impact on our business.

Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common stock.

We may not be able to prevent, alone or with our potential licensors, misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States.

Our defense of litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms or at all, or if a non-exclusive license is offered and our competitors gain access to the same technology. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to continue our clinical trials, continue our research programs, license necessary technology from third parties or enter into development or manufacturing partnerships that would help us bring our products to market.

We license or otherwise have access to patent rights from third-party owners. Such licenses or other arrangements may be subject to early termination if we fail to comply with our obligations in our agreements with third parties, which could result in the loss of rights or technology that are material to our business.

We are a party to licenses and other agreements that give us rights to third-party intellectual property that are necessary or useful for our business, and we may enter into additional licenses or other agreements in the future. For example, we are party to license agreements with Eli Lilly and Company with respect to TERN-101 and TERN-201 and an assignment agreement with Vintagence Biotechnology Ltd. with respect to our THR-b program. Under these agreements, we are obligated to pay the counterparties fees, which may include annual license fees, milestone payments, royalties, a percentage of revenues associated with the applicable technology and a percentage of sublicensing revenue. In addition, under certain of such agreements, we are required to diligently pursue the development of products using the applicable technology. If we fail to comply with these obligations and fail to cure our breach within a specified period of time, the counterparty may have the right to terminate the applicable agreement, in which event we could lose valuable rights and technology that are material to our business.

We may rely on third parties from whom we license proprietary technology to file and prosecute patent applications and maintain patents and otherwise protect the intellectual property we license from them. We may have limited control over these activities or any other intellectual property that may be related to our in-licensed intellectual property. For example, we cannot be certain that such activities by these licensors will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents and other intellectual property rights. We may have limited control over the manner in which our licensors initiate an infringement proceeding against a third-party infringer of the intellectual property rights, or defend certain of the intellectual property that may be licensed to us. It is possible that the licensors' infringement proceeding or defense activities may be less vigorous than if we conduct them ourselves.

Our intellectual property agreements with third parties may be subject to disagreements over contract interpretation, which could narrow the scope of our rights to the relevant intellectual property or technology or increase our financial or other obligations to our licensors.

Certain provisions in our intellectual property agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could affect the scope of our rights to the relevant intellectual property or technology, or affect financial or other obligations under the relevant agreement, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may jointly own certain patent rights with third parties. Our ability to out-license these patent rights, or to prevent the third party from out-licensing these patent rights, may be limited in certain countries.

We may jointly own patents and patent applications with third parties in the future. Unless we enter into an agreement with the joint owner, we will be subject to certain default rules pertaining to joint ownership. Certain countries require the consent of all joint owners to license jointly owned patents, and if we are unable to obtain such consent from the joint owner, we may not be able to license our rights under these patents and patent applications. In certain other countries, including the United States, the joint owner could license its rights under these patents and patent applications to another party without our consent and without any duty of accounting to us.

We may in the future be dependent on intellectual property licensed or sublicensed to us from, or for which development was funded or otherwise assisted by, government agencies, such as the National Institutes of Health, for development of our technology and single-agent and combination therapy candidates. Failure to meet our own obligations to our licensors or upstream licensors, including such government agencies, may result in the loss of our rights to such intellectual property, which could harm our business.

In the future, government agencies may provide funding, facilities, personnel or other assistance in connection with the development of the intellectual property rights owned by or licensed to us. Such government agencies may retain rights in such intellectual property, including the right to grant or require us to grant mandatory licenses or sublicenses to such intellectual property to third parties under certain specified circumstances, including if it is necessary to meet health and safety needs that we are not reasonably satisfying or if it is necessary to meet requirements for public use specified by federal regulations, or to manufacture products in the United States. Any exercise of such rights, including with respect to any such required sublicense of these licenses could result in the loss of significant rights and could harm our ability to commercialize licensed products.

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

We may be subject to claims that former employees, collaborators, or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. The failure to name the proper inventors on a patent application can result in the patents issuing thereon being unenforceable. Inventorship disputes may arise from conflicting views regarding the contributions of different individuals named as inventors, the effects of foreign laws where foreign nationals are involved in the development of the subject matter of the patent, conflicting obligations of third parties involved in developing our single-agent and combination therapy candidates or as a result of questions regarding co-ownership of potential joint inventions. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our single-agent and combination therapy candidates. Alternatively, or additionally, we may enter into agreements to clarify the scope of our rights in such intellectual property. Litigation may be necessary to defend against these and other claims challenging inventorship. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

We or our licensors may in the future rely on third-party consultants or collaborators or on funds from third parties, such as the U.S. government, such that we or our licensors are not the sole and exclusive owners of the patents we in-licensed. If other third parties have ownership rights or other rights to our patents, including in-licensed patents, they may be able to license such patents to our competitors, and our competitors could market competing products and technology. This could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

We may be subject to claims that we have wrongfully hired an employee from a competitor or that we or our employees have wrongfully used or disclosed alleged confidential information or trade secrets of their former employers.

As is common in the pharmaceutical and biotechnology industries, in addition to our employees, we engage the services of consultants to assist us in the development of our single-agent and combination therapy candidates. Many of these consultants, and many of our employees, were previously employed at, or may have previously provided or may be currently providing consulting services to, universities or other pharmaceutical or biotechnology companies including our competitors or potential competitors. These employees and consultants may have executed proprietary rights, non-disclosure and non-competition agreements, or similar agreements, in

connection with such other current or previous employment. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, we may become subject to claims that we, our employees or a consultant inadvertently or otherwise used or disclosed trade secrets or other information proprietary to their former employers or their former or current clients. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, which could adversely affect our business. Such intellectual property could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or drugs and combination therapies. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to our management team. Any of the foregoing would have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We have a number of international patents and patent applications, and expect to continue to pursue patent protection in many of the significant markets in which we intend to do business. However, filing, prosecuting and defending patents on single-agent and combination therapy candidates in all countries throughout the world would be prohibitively expensive, and 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. The requirements for patentability may differ in certain countries, particularly in developing countries. In addition, any future intellectual property license agreements may not always include worldwide rights. Consequently, we have not pursued or maintained, and may not pursue or maintain in the future, patent protection for our single-agent and combination therapy candidates in every country or territory in which we may sell our drugs and combination therapies and 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 may export otherwise infringing products to territories where we have patent protection but enforcement is not as strong as that in the United States and where our ability to enforce our patents to stop infringing activities may be inadequate. These products may compete with any current or future single-agent or combination therapy candidates we may sell, 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 pharmaceuticals and 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.

Moreover, our ability to protect and enforce our intellectual property and proprietary rights may be adversely affected by unforeseen changes in foreign intellectual property laws. Additionally, the laws of some countries outside of the United States and Europe do not afford intellectual property protection to the same extent as the laws of the United States and Europe. Many companies have encountered significant problems in protecting and defending intellectual property and proprietary rights in certain foreign jurisdictions. The legal systems of some countries, including, for example, India, China and other developing countries, do not favor the enforcement of patents and other intellectual property or proprietary rights, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement, misappropriation or other violation of our patents or other intellectual property or proprietary rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. Consequently, we may not be able to prevent third parties from practicing our inventions in certain countries outside the United States and Europe. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we are forced to grant a license to third parties with respect to any patents

relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected.

Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

We may not identify relevant third-party patents or may incorrectly interpret the relevance, scope or expiration of a third-party patent, which might adversely affect our ability to develop and market our single-agent and combination therapies.

We cannot guarantee that any of our patent searches or analyses, including the identification of relevant patents, the scope of patent claims or the expiration of relevant patents, are complete or thorough, nor can we be certain that we have identified each and every third-party patent and pending application in the United States and abroad that is relevant to or necessary for the commercialization of our single-agent and combination therapy candidates in any jurisdiction. The scope of a patent claim is determined by an interpretation of the law, the written disclosure in a patent and the patent's prosecution history. Our interpretation of the relevance or the scope of a patent or a pending application may be incorrect, which may negatively impact our ability to market our single-agent and combination therapy candidates. We may incorrectly determine that our single-agent and combination therapy candidates are not covered by a third-party patent or may incorrectly predict whether a third-party's pending application will issue with claims of relevant scope. Our determination of the expiration date of any patent in the United States or abroad that we consider relevant may be incorrect, which may negatively impact our ability to develop and market our single-agent and combination therapy candidates. Our failure to identify and correctly interpret relevant patents may negatively impact our ability to develop and market our single-agent and combination therapy candidates.

One aspect of the determination of patentability of our inventions depends on the scope and content of the "prior art," information that was or is deemed available to a person of skill in the relevant art prior to the priority date of the claimed invention. There may be prior art of which we are not aware that may affect the patentability of our patent claims or, if issued, affect the validity or enforceability of a patent claim. Further, we may not be aware of all third-party intellectual property rights potentially relating to our single-agent and combination therapy candidates or their intended uses, and as a result the impact of such third-party intellectual property rights upon the patentability of our own patents and patent applications, as well as the impact of such third-party intellectual property upon our freedom to operate, is highly uncertain. Because patent applications in the United States and most other countries are confidential for typically a period of 18 months after filing, or may not be published at all, we cannot be certain that we were the first to file any patent application related to our single-agent and combination therapy candidates. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Furthermore, for U.S. applications in which all claims are entitled to a priority date before March 16, 2013, an interference proceeding can be provoked by a third party or instituted by the USPTO to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. For U.S. applications containing a claim not entitled to priority before March 16, 2013, there is a greater level of uncertainty in the patent law in view of the passage of the Leahy-Smith America Invents Act, or the AIA, which brought into effect significant changes to the U.S. patent laws, including new procedures for challenging pending patent applications and issued patents.

Patent terms may be inadequate to establish our competitive position on our single-agent and combination therapy candidates for an adequate amount of time.

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Patent terms may be shortened or lengthened by, for example, terminal disclaimers, patent term adjustments, supplemental protection certificates and patent term extensions, but the life of a patent, and the protection it affords, is limited. Non-payment or delay in payment of patent fees, maintenance fees or annuities, delay in patent filings or delay in extension filings (including any patent term extension or adjustment filings), whether intentional or unintentional, may result in the loss of patent rights important to our business. Even if patents covering our single-agent and combination therapy candidates are obtained, once the patent life has expired for a single-agent or combination therapy candidate, we may be open to competition from competitive medications, including generic versions. Given the amount of time required for the development, testing and regulatory review of new single-agent and combination therapy candidates, patents directed towards such single-agent and combination therapy candidates might expire before or shortly after such single-agent and combination therapy candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing single-agent and combination therapy candidates similar or identical to ours for a meaningful amount of time, or at all.

Depending upon the timing, duration and conditions of any FDA marketing approval of our single-agent and combination therapy candidates, one or more of our owned or licensed U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, or Hatch-Waxman Act, and similar legislation in the EU and certain other jurisdictions. The Hatch-Waxman Act permits, in certain cases, a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. However, we may not receive an extension if we fail to exercise due diligence during the testing phase or regulatory review process, fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. Only one patent per approved product can be extended, the extension cannot extend the total patent term beyond 14 years from approval and the amount of available extension to any extension-eligible patent which claims a product, a method of using a product or a method of manufacturing a product, depends on a variety of factors, including the date on which the patent issues and certain dates related to the regulatory review period. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for the applicable single-agent or combination therapy candidate will be shortened and our competitors may obtain approval to market competing products sooner. As a result, our revenue from applicable products could be reduced. Further, if this occurs, our competitors may take advantage of our investment in development and trials by referencing our clinical and nonclinical data and launch their product earlier than might otherwise be the case, and our competitive position, business, financial condition, results of operations and prospects could be materially harmed.

Further, there are detailed rules and requirements regarding the patents that may be submitted to the FDA for listing in the Orange Book. We may be unable to obtain patents covering our single-agent and combination therapy candidates that contain one or more claims that satisfy the requirements for listing in the Orange Book. Even if we submit a patent for listing in the Orange Book, the FDA may decline to list the patent, or a manufacturer of generic drugs may challenge the listing. If one of our single-agent or combination therapy candidates is approved and a patent covering that single-agent or combination therapy candidate is not listed in the Orange Book, a manufacturer of generic drugs would not have to provide advance notice to us of any abbreviated new drug application filed with the FDA to obtain permission to sell a generic version of such single-agent or combination therapy candidate. Any of the foregoing could harm our competitive position, business, financial condition, results of operations and prospects.

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.

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or 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/or applications. We employ reputable professionals and rely on such third parties to help us comply with these requirements and effect payment of these fees with respect to the patents and patent applications that we own, and we may have to rely upon our licensors to comply with these requirements and effect payment of these fees with respect to any patents and patent applications that we license. 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 a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

Changes in patent law in the U.S. or in other countries could diminish the value of patents in general, thereby impairing our ability to protect our single-agent and combination therapy candidates.

As is the case with other pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Our patent rights may be affected by developments or uncertainty in U.S. or ex-U.S. patent statutes, patent case laws in USPTO rules and regulations or in the rules and regulations of ex-U.S. patent offices. There are a number of recent changes to the U.S. patent laws that may have a significant impact on our ability to protect our technology and enforce our intellectual property rights. For example, on September 16, 2011, the AIA, was signed into law. The AIA includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. In particular, under the AIA, the United States transitioned in March 2013 to a "first to file" system in which the first inventor to file a patent application will be entitled to the patent. Third parties are allowed to submit prior art before the issuance of a patent by the USPTO, and may become involved in post-grant proceedings including opposition, derivation, reexamination, inter partes review or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope or enforceability of, or invalidate, our patent rights, which could adversely affect our competitive position. This could have a negative impact on some of our intellectual property and could increase uncertainties surrounding obtaining and enforcement or defense of our issued patents.

In addition, Congress may pass patent reform legislation that is unfavorable to us. The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained. Depending on decisions by Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents we might obtain in the future. Similarly, statutory or judicial changes to the patent laws of other countries may increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. We cannot predict future changes in the interpretation of patent laws or changes to patent laws that might be enacted into law by U.S. and international legislative bodies. Those changes may materially affect the patents and patent applications of our licensors, our existing or future patents and patent applications and our ability to obtain additional patents in the future.

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

Our current or future trademarks or trade names may be challenged, infringed, circumvented or declared generic or descriptive determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. During trademark registration proceedings, we may receive rejections of our applications by the USPTO or in other foreign jurisdictions. Although we would be given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected. We may license our trademarks and trade names to third parties, such as distributors. Though these license agreements may provide guidelines for how our trademarks and trade names may be used, a breach of these agreements or misuse of our trademarks and tradenames by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names.

Moreover, any name we have proposed to use with our single-agent and combination therapy candidates in the United States must be approved by the FDA, regardless of whether we have registered it, or applied to register it, as a trademark. Similar requirements exist in Europe. The FDA typically conducts a review of proposed product names, including an evaluation of potential for confusion with other product names. If the FDA (or an equivalent administrative body in a foreign jurisdiction) objects to any of our proposed proprietary single-agent or combination therapy names, it may be required to expend significant additional resources in an effort to identify a suitable substitute name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA. Furthermore, in many countries, owning and maintaining a trademark registration may not provide an adequate defense against a subsequent infringement claim asserted by the owner of a senior trademark. At times, competitors or other third parties may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. If we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

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

We rely on the protection of our trade secrets, including unpatented know-how, technology and other proprietary information. We have taken steps to protect our trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants and advisors. Despite these efforts, we cannot provide any assurances that all such agreements have been duly executed, and any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. In addition to contractual measures, we try to protect the confidential nature of our proprietary information using commonly accepted physical and technological security measures. Even though we use commonly accepted security measures, the criteria for protection of trade secrets can vary among different jurisdictions. Additionally, such security measures may not provide adequate protection for our proprietary information, for example, in the case of misappropriation of a trade secret by an employee, consultant, customer or third party with authorized access. Recourse we take against such misconduct may not provide an adequate

remedy to fully protect our interests. Monitoring unauthorized uses and disclosures is difficult, and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. Unauthorized parties may also attempt to copy or reverse engineer certain aspects of our single-agent and combination therapy candidates that we consider proprietary.

Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. Moreover, third parties may still obtain this information or may come upon this or similar information independently, and we would have no right to prevent them from using that technology or information to compete with us. Trade secrets will over time be disseminated within the industry through independent development, the publication of journal articles and the movement of personnel skilled in the art from company to company or academic to industry scientific positions. Though our agreements with third parties typically restrict the ability of our advisors, employees, collaborators, licensors, suppliers, third-party contractors and consultants to publish data potentially relating to our trade secrets, our agreements may contain certain limited publication rights. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position. Because from time to time we expect to rely on third parties in the development, manufacture, and distribution of our single-agent and combination therapy candidates, we must, at times, share trade secrets with them. Despite employing the contractual and other security precautions described above, the need to share trade secrets increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. If any of these events occurs or if we otherwise lose protection for our trade secrets, the value of this information may be greatly reduced and our competitive position would be harmed. If we do not apply for patent protection prior to such publication or if we cannot otherwise maintain the confidentiality of our proprietary technology and other confidential information, then our ability to obtain patent protection or to protect our trade secret information may be jeopardized.

Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business or permit us to maintain our competitive advantage. For example:

- others may be able to make product candidates that are similar to ours but that are not covered by the claims of the patents that we own or have exclusively licensed;
- we or our licensors or future collaborators might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or have exclusively licensed;
- we or our licensors or future collaborators might not have been the first to file patent applications covering certain of our inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible that our owned or licensed pending patent applications will not lead to issued patents;
- issued patents that we own or have exclusively licensed may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we may not develop additional proprietary technologies that are patentable;

- we cannot predict the scope of protection of any patent issuing based on our owned or licensed patent applications, including whether the patent applications that we own or in-license will result in issued patents with claims that cover our single-agent and combination therapy candidates or uses thereof in the United States or in other foreign countries;
- the claims of any patent issuing based on our owned or licensed patent applications may not provide protection against competitors or any competitive advantages, or may be challenged by third parties;
- if enforced, a court may not hold that our owned or licensed patents are valid, enforceable and infringed;
- we may need to initiate litigation or administrative proceedings to enforce and/or defend our patent rights which will be costly whether we win or lose;
- we may be required to coordinate with licensors on enforcement of our patents;
- we may choose not to file a patent application in order to maintain certain trade secrets or know-how, and a third party may subsequently file a patent application and secure an issued patent covering such intellectual property;
- we may fail to adequately protect and police our trademarks and trade secrets; and
- the patents of others may have an adverse effect on our business, including if others obtain patents claiming subject matter similar to or improving that covered by our patents and patent applications.

Should any of these events occur, they could significantly harm our business, results of operations and prospects.

Other Risks Related to Our Business

If we fail to attract and retain senior management and key scientific personnel, our business may be materially and adversely affected.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management and clinical and scientific personnel. We are highly dependent upon members of our senior management, particularly our Chief Executive Officer, Senthil Sundaram, and President and Chief Medical Officer, Erin Quirk, M.D., as well as our senior scientists and other members of our senior management team. The loss of services of any of these individuals could delay or prevent the successful development of our pipeline, initiation or completion of our planned clinical trials or the commercialization of our current or future single-agent and combination therapy candidates.

Competition for qualified personnel in the pharmaceutical, biopharmaceutical and biotechnology field is intense due to the limited number of individuals who possess the skills and experience required by our industry. We will need to hire additional personnel as we expand our clinical development and if we initiate commercial activities. We may not be able to attract and retain quality personnel on acceptable terms, or at all. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or that they have divulged proprietary or other confidential information, or that their former employers own their research output.

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

As of September 30, 2020, we had 30 full-time employees. We will need to continue to expand our managerial, operational, finance and other resources in order to manage our operations and clinical trials, continue our development activities and, if approved, commercialize our preclinical and clinical-stage single-agent and combination therapy candidates or any future single-agent and combination therapy candidates. Our

management and personnel, systems and facilities currently in place may not be adequate to support this future growth. Our need to effectively execute our growth strategy requires that we:

- manage our preclinical studies and clinical trials effectively;
- identify, recruit, retain, incentivize and integrate additional employees, including additional clinical development and sales personnel;
- manage our internal development and operational efforts effectively while carrying out our contractual obligations to third parties; and
- continue to improve our operational, financial and management controls, reports systems and procedures.

If we are not successful in identifying, developing and commercializing additional single-agent and combination therapy candidates, our ability to expand our business and achieve our strategic objectives would be impaired.

Although the development and commercialization of TERN-101, TERN-201 and TERN-501 is currently our primary focus, as part of our longer-term growth strategy, we plan to evaluate the development and commercialization of other therapies related to NASH and other chronic liver diseases. The success of this strategy depends primarily upon our ability to identify and validate new therapeutic candidates, and to identify, develop and commercialize new drugs and biologics. Our research efforts may initially show promise in discovering potential new drugs and biologics, yet fail to yield single-agent and combination therapy candidates for clinical development for a number of reasons, including:

- we may need to rely on third parties to generate molecules for some of our single-agent or combination therapy candidate programs;
- we may encounter drug manufacturing difficulties that limit yield or produce undesirable characteristics that increase the cost of manufacturing our single-agent and combination therapy candidates, cause delays or make our single-agent and combination therapy candidates unmarketable;
- our single-agent and combination therapy candidates may cause adverse effects in patients or subjects, even after successful initial toxicology studies, which may make the single-agent and combination therapy candidates unmarketable;
- our single-agent and combination therapy candidates may not demonstrate a meaningful benefit to patients or subjects; and
- our future collaboration partners may change their development profiles or plans for potential single-agent and combination therapy candidates or abandon a therapeutic area or the development of a partnered single-agent or combination therapy candidate.

If any of these events occur, we may be forced to abandon our development efforts for one or more programs, which could have a material adverse effect on our business, operating results and prospects and could potentially cause us to cease operations. Future research programs to identify new single-agent and combination therapy candidates may require substantial technical, financial and human resources. We may focus our efforts and resources on potential programs or single-agent and combination therapy candidates that ultimately prove to be unsuccessful.

Single-agent and combination therapy candidates may require additional, time-consuming development efforts prior to commercial sale, including preclinical studies, clinical trials and approval by the FDA and/or comparable foreign regulatory authorities. All single-agent and combination therapy candidates are prone to the risks of failure that are inherent in pharmaceutical product development, including the possibility that the single-agent or combination therapy candidate will not be shown to be sufficiently safe and effective for approval by

regulatory authorities. In addition, we cannot assure you that any such products that are approved will be manufactured or produced economically, be successfully commercialized, be widely accepted in the marketplace, or be more effective than other commercially available alternatives.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our current or future single-agent and combination therapy candidates.

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

- decreased demand for our current or future single-agent and combination therapy candidates;
- injury to our reputation;
- delay or termination of clinical trials;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- regulatory investigations, product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue; and
- the inability to commercialize our current or any future single-agent and combination therapy candidates, if approved.

If we are unable to obtain and maintain sufficient product liability insurance at an acceptable cost and scope of coverage to protect against potential product liability claims, the commercialization of our current or any future single-agent and combination therapy candidates we develop could be inhibited or prevented. We currently carry product liability insurance covering our clinical trials. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions and deductibles, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient funds to pay such amounts. Moreover, 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. If and when we obtain approval for marketing any of our single-agent or combination therapy candidates, we intend to expand our insurance coverage to include the sale of such single-agent or combination therapy candidate; however, we may be unable to obtain this liability insurance on commercially reasonable terms or at all.

As a company with some operations and vendors located outside of the United States, our business is subject to economic, political, regulatory and other risks associated with international operations.

As a company with some operations and vendors in China, our business is subject to risks associated with conducting business outside the United States. Accordingly, our future results could be harmed by a variety of factors, including:

- economic weakness, including inflation, or political instability in particular non-U.S. economies and markets;
- differing jurisdictions could present different issues for securing, maintaining or obtaining freedom to operate in such jurisdictions;
- potentially reduced protection for intellectual property rights;
- difficulties in compliance with different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- changes in non-U.S. regulations and customs, tariffs and trade barriers;
- changes in non-U.S. currency exchange rates of the Renminbi, or RMB, U.S. dollar, euro and currency controls;
- changes in a specific country's or region's political or economic environment;
- trade protection measures, import or export licensing requirements or other restrictive actions by governments;
- negative consequences from changes in tax laws;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad, including, for example, the variable tax treatment in different jurisdictions of options granted under our 2017 Equity Incentive Plan;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- litigation or administrative actions resulting from claims against us by current or former employees or consultants individually or as part of class actions, including claims of wrongful terminations, discrimination, misclassification or other violations of labor law or other alleged conduct;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, health epidemics, or natural disasters including earthquakes, typhoons, floods and fires.

See "—Risks Related to Doing Business in China" for additional risks related to our operations in China.

Our business involves the use of hazardous materials, and we and our suppliers must comply with environmental laws and regulations, which can be expensive and restrict how we do business.

Our research and development activities and our third-party suppliers' activities involve the controlled storage, use and disposal of hazardous materials owned by us, including the components of our single-agent and combination therapy candidates and other hazardous compounds. We and any third-party manufacturers and suppliers are subject to numerous federal, state and local environmental, health and safety laws, regulations and permitting requirements, including those governing laboratory procedures; the generation, handling, use, storage, treatment and disposal of hazardous and regulated materials and wastes; the emission and discharge of hazardous

materials into the ground, air and water; and employee health and safety. Our operations and those or our third-party manufacturers and CROs involve the use of hazardous and flammable materials, including chemicals and biological and radioactive materials. Our operations and those of our third-party manufacturers and CROs also produce hazardous waste. In some cases, these hazardous materials and various wastes resulting from their use are stored at our and our manufacturers' and CROs' facilities pending their use and disposal. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, and environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products.

We cannot guarantee that the safety procedures utilized by our third-party manufacturers and CROs for handling and disposing of these materials comply with the standards prescribed by these laws and regulations, nor can we eliminate the risk of accidental contamination or injury from these materials. Under certain environmental laws, we could be held responsible for costs relating to any contamination at our current or past facilities and at third-party facilities. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources, and state or federal or other applicable authorities may curtail our use of certain materials and/or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance.

Compliance with applicable environmental laws and regulations may be expensive, and current or future environmental laws and regulations may impair our research and product development efforts. In addition, we cannot entirely eliminate the risk of accidental injury or contamination from hazardous materials or wastes. Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not carry specific biological or hazardous waste insurance coverage, and our property, casualty and general liability insurance policies specifically exclude coverage for damages and fines arising from biological or hazardous waste exposure or contamination. Accordingly, in the event of contamination or injury, we could be held liable for damages or be penalized with fines in an amount exceeding our resources, and our clinical trials or regulatory approvals could be suspended, which could have a material adverse effect on our business, results of operations and financial condition.

We face potential liability related to the privacy of health information we utilize in the development of products, as well as information we obtain from clinical trials sponsored by us from research institutions and directly from individuals.

We and our partners and vendors are subject to various federal, state and foreign data protection laws and regulations (*i.e.,* laws and regulations that address data privacy and security). If we or our partners or vendors fail to comply with these laws and regulations we may be subject to litigation, regulatory investigations, enforcement notices, enforcement actions, fines, and criminal or civil penalties, as well as negative publicity and a potential loss of business.

In the United States, numerous federal and state laws and regulations, including state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws and regulations that govern the collection, use, disclosure, and protection of health-related and other personal information could apply to our operations or the operations of our partners. For example, most healthcare providers, including research institutions from which we obtain patient health information, are subject to privacy and security regulations promulgated under HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009. Under HIPAA, we could potentially face substantial criminal or civil penalties if we knowingly receive individually identifiable health information from a HIPAA-covered healthcare provider or research institution that has not satisfied HIPAA's requirements for disclosure of individually

identifiable health information, or otherwise violate applicable HIPAA requirements related to the protection of such information. Even when HIPAA does not apply, failing to take appropriate steps to keep consumers' personal information secure may constitute a violation of the Federal Trade Commission Act.

In addition, once we commence clinical trials, we may maintain sensitive personally identifiable information, including health information, that we receive throughout the clinical trial process, in the course of our research collaborations, and directly from individuals (or their healthcare providers) who enroll in our patient assistance programs. As such, we may be subject to state laws requiring notification of affected individuals and state regulators in the event of a breach of personal information. These state laws include the recently enacted California Consumer Privacy Act, or the CCPA, which establishes additional data privacy rights for residents of the State of California, including expanded rights to access and delete their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA has been amended from time to time, and it remains unclear what, if any, further modifications will be made to this legislation or how it will be interpreted. Further, on November 3, 2020, the California Privacy Rights Act, or the CPRA, was voted into law by California residents. The CPRA significantly amends the CCPA, and imposes additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data. It also creates a new California data protection agency specifically tasked to enforce the law, which would likely result in increased regulatory scrutiny of California businesses in the areas of data protection and security. The substantive requirements for businesses subject to the CPRA will go into effect on January 1, 2023, and become enforceable on July 1, 2023. Similar laws have been proposed in other states and at the federal level, and if passed, such laws may have potentially conflicting requirements that would make compliance challenging.

Any clinical trial programs and research collaborations, among other activities, that we engage in outside the United States may implicate international data protection laws, including, in Europe, the General Data Protection Regulation, or the GDPR, which became effective in 2018. The GDPR imposes stringent operational requirements for processors and controllers of personal data. Among other things, the GDPR requires detailed notices and consent requirements for clinical trial subjects and investigators and other data subjects, procedures regarding the security of personal data and notification of data processing obligations or security incidents to appropriate data protection authorities or data subjects, and honoring and providing for the rights of individuals within the EEA and the United Kingdom in relation to their personal data, including the right to access, correct and delete their data. If our privacy or data security measures fail to comply with the requirements of the GDPR or other applicable laws or regulations, we may be subject to litigation, regulatory investigations, enforcement notices, and/or enforcement actions requiring us to change the way we use personal data and/or fines. In addition to statutory enforcement, a personal data breach can lead to negative publicity and a potential loss of business. Further, following the United Kingdom's withdrawal from the EU effective as of December 31, 2020, we will have to comply with the GDPR and the GDPR as incorporated into United Kingdom national law, which may have differing requirements. If we fail to comply with any such data protection laws, we may be subject to litigation, regulatory investigations, enforcement notices, and/or enforcement actions, as well as negative publicity and a potential loss of business.

We are also subject to evolving EEA laws on data export, as we may transfer personal data from the EEA to other jurisdictions. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States. For example, on July 16, 2020, the Court of Justice of the European Union, or CJEU, invalidated the EU-US Privacy Shield Framework, or Privacy Shield, under which personal data could be transferred from the EEA to United States entities who had self-certified under the Privacy Shield scheme. Moreover, it is uncertain whether the standard contractual clauses will also be invalidated by the European courts or legislature. As government authorities issue further guidance on personal data export mechanisms and/or start taking enforcement action, we could suffer additional costs, complaints, and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among

countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results. These laws and regulations may apply, not only to us, but also to vendors that store or otherwise process data on our behalf, such as information technology vendors. If such a vendor misuses data we have provided to it, or fails to safeguard such data, we may be subject to litigation, regulatory investigations, enforcement notices, and/or enforcement actions, as well as negative publicity and a potential loss of business.

We are likely to be required to expend significant capital and other resources to ensure ongoing compliance with applicable privacy and data security laws. Claims that we have violated individuals' privacy rights, failed to comply with applicable laws or breached our contractual obligations, even if we are not found liable, could be expensive and time-consuming to defend, and could result in adverse publicity that could harm our business. Moreover, even if we take all necessary action to comply with regulatory requirements, we could be subject to a hack or data breach, which could subject us to fines and penalties, as well as reputational damage.

If we or our partners or vendors fail to comply with applicable federal, state, or local regulatory requirements, we could be subject to a range of regulatory actions that could affect our or any collaborators' ability to seek to commercialize our clinical candidates. Any threatened or actual government enforcement action could also generate adverse publicity and require that we devote substantial resources that could otherwise be used in other aspects of our business. Any of the foregoing could harm our competitive position, business, financial condition, results of operations and prospects.

We or the third parties upon whom we depend may be adversely affected by earthquakes or other natural disasters, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our corporate headquarters and other facilities are located in the San Francisco Bay Area, which has experienced both severe earthquakes and the effects of wildfires. We do not carry earthquake insurance. Earthquakes, wildfires or other natural disasters could severely disrupt our operations, and could materially and adversely affect our business, financial condition, results of operations and prospects.

If a natural disaster, power outage or other event occurred that damaged critical infrastructure or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place currently are limited and are unlikely to prove adequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, particularly when taken together with our lack of earthquake insurance, could have a material adverse effect on our business.

Furthermore, integral parties in our supply chain are similarly vulnerable to natural disasters or other sudden, unforeseen and severe adverse events. If such an event were to affect our supply chain, it could have a material adverse effect on our business.

Significant disruptions of information technology systems, breaches of data security and other incidents could materially adversely affect our business, results of operations and financial condition.

We collect and maintain information in digital and other forms that is necessary to conduct our business, and we are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of our business, we collect, store and transmit large amounts of confidential information, including intellectual property, proprietary business information and personal information. It is critical that we do so in a secure manner to maintain the privacy, security, confidentiality and integrity of such confidential information. We have established physical, electronic and organizational measures designed to safeguard and secure our systems to prevent a data compromise, and rely on commercially available systems, software, tools

and monitoring to provide security for our information technology systems and the processing, transmission and storage of digital information. We have also outsourced elements of our information technology infrastructure, and as a result a number of third-party vendors may have access to our confidential information. Our internal information technology systems and infrastructure, and those of any future collaborators and our contractors, consultants, vendors and other third parties on which we rely, are vulnerable to damage or unauthorized access or use resulting from computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the Internet, denial or degradation of service attacks, ransomware, hacking, phishing and other social engineering attacks, attachments to emails, persons inside our organization or persons with access to systems inside our organization.

The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. The prevalent use of mobile devices that access confidential information also increases the risk of lost or stolen devices, security incidents and data security breaches, which could lead to the loss of confidential information or other intellectual property. As a result of the COVID-19 pandemic, we may face increased risks of a security breach or disruption due to our reliance on internet technology and the number of our employees who are working remotely, which may create additional opportunities for cybercriminals to exploit vulnerabilities. The costs to us to investigate, mitigate and remediate security incidents, breaches, disruptions, network security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and while we have implemented security measures to protect our data security and information technology systems, our efforts to address these problems may not be successful, and these problems could result in unexpected interruptions, delays, cessation of service, negative publicity and other harm to our business and our competitive position. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Any security compromise affecting us, our partners or our industry, whether real or perceived, could harm our reputation, erode confidence in the effectiveness of our security measures and lead to regulatory scrutiny. Moreover, if a computer security breach affects our systems or results in the unauthorized access to or unauthorized use, disclosure, release or other processing of personally identifiable information or clinical trial data, it may be necessary to notify individuals, governmental authorities, supervisory bodies, the media and other parties pursuant to privacy and security laws, and our reputation could be materially damaged. We would also be exposed to a risk of loss, governmental investigations or enforcement, or litigation and potential liability, which could materially adversely affect our business, results of operations and financial condition.

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

We are increasingly dependent upon information technology systems, infrastructure and data to operate our business. In the ordinary course of business, we collect, store and transmit confidential information (including but not limited to intellectual property, proprietary business information and personal information). It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also have outsourced elements of our operations to third parties, and as a result we manage a number of third-party contractors who have access to our confidential information.

Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants are vulnerable to damage from computer viruses and unauthorized access. Although to our knowledge 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 or those of our third-party CROs, vendors, and other contractors and consultants, 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, we rely on our third-party research institution collaborators for research and development of our single-agent and combination therapy candidates and other third parties for the manufacture of our single-agent and combination therapy candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or those of our third-party CROs, vendors, and other contractors and consultants, or inappropriate disclosure of confidential or proprietary information or patient information, we could incur liability and the further development and commercialization of our single-agent and combination therapy candidates could be delayed.

While we have not experienced any such system failure, accident or security breach to date, we cannot assure you that our data protection efforts and our investment in information technology will prevent significant breakdowns, data leakages, breaches in our systems, or those of our third-party CROs, vendors and other contractors and consultants, or other cyber incidents that could have a material adverse effect upon our reputation, business, operations or financial condition. For example, if such an event were to occur and cause interruptions in our operations, or those of our third-party CROs, vendors, and other contractors and consultants, it could result in a material disruption of our programs and the development of our single-agent and combination therapy candidates could be delayed. In addition, the loss of clinical trial data for our single-agent and combination therapy candidates could result in delays in our marketing approval efforts and significantly increase our costs to recover or reproduce the data. Furthermore, significant disruptions of our internal information technology systems, or those of our third-party CROs, vendors and other contractors and consultants, or security breaches could result in the loss, misappropriation, and/or unauthorized access, use, or disclosure of, or the prevention of access to, confidential information (including trade secrets or other intellectual property, proprietary business information, and personal information), which could result in financial, legal, business, and reputational harm to us. For example, any such event that leads to unauthorized access, use, or disclosure of personal information, including personal information regarding our clinical trial subjects or employees, could harm our reputation directly, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, and otherwise subject us to liability under laws and regulations that protect the privacy and security of personal information, which could result in significant legal and financial exposure and reputational damages that could potentially have an adverse effect on our business.

We have and will enter into collaboration, license, contract research and/or manufacturing relationships with contract organizations that operate in certain countries that are at heightened risk of theft of technology, data and intellectual property through direct intrusion by private parties or foreign actors, including those affiliated with or controlled by state actors. Accordingly, our efforts to protect and 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, and we may be at heightened risk of losing our proprietary intellectual property rights around the world, including outside of such countries, to the extent such theft or intrusion destroy the proprietary nature of our intellectual property.

The costs related to significant security breaches or disruptions could be material and exceed the limits of any applicable insurance we may maintain against such risks. If the information technology systems of our third-party CROs, vendors and other contractors and consultants become subject to disruptions or security breaches, we may have insufficient recourse against such third parties and we may have to expend significant resources to mitigate the impact of such an event, and to develop and implement protections to prevent future events of this nature from occurring.

Risks Related to Doing Business in China

The pharmaceutical industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our single-agent and combination therapy candidates.

Some of our research and development operations and manufacturing facilities are in the People's Republic of China, which we refer to as China or PRC. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new drugs. In recent years, the regulatory framework in China regarding the pharmaceutical industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development of our single-agent and combination therapy candidates in China and reduce the current benefits we believe are available to us from developing and manufacturing drugs in China. PRC authorities have become increasingly vigilant in enforcing laws in the pharmaceutical industry and any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China. We believe our strategy and approach are aligned with the PRC government's regulatory policies, but we cannot ensure that our strategy and approach will continue to be aligned.

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

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our manufacturing operations primarily occur in China and involve the use of hazardous materials, including chemical materials. Our operations also produce hazardous waste products. We are therefore subject to PRC laws and regulations concerning the discharge of waste water, gaseous waste and solid waste during our processes of research and development of our single-agent and combination therapy candidates. We engage competent third-party contractors for the transfer and disposal of these materials and wastes. We may not comply fully with environmental regulations at all times. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures. We cannot completely eliminate the risk of contamination or injury from these materials and wastes. In the event of contamination or injury resulting from the use or discharge of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil, administrative or criminal fines and penalties.

Although we maintain workers' compensation insurance to cover costs and expenses incurred due to on-the-job injuries to our employees and third party liability insurance for injuries caused by unexpected seepage, pollution or contamination, such insurance may not provide adequate coverage against potential liabilities. Furthermore, China may take steps towards the adoption of more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our manufacturing facility and equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, we may be forced to cease certain aspects of our business operations.

China's economic, political and social conditions, as well as governmental policies, could affect the business environment and financial markets in China, our ability to operate our business, our liquidity and our access to capital.

Substantially all of our manufacturing operations are conducted in China. Accordingly, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China as well as China's economic, political, legal and social conditions in relation to the rest of the world. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth over the past 40 years, growth has been uneven across different regions and among various economic sectors of China. China's government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall economy in China, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past, China's government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Under the applicable regulations and State Administration of Foreign Exchange of the People's Republic of China, or SAFE, rules, PRC citizens who participate in an employee stock ownership plan or a stock option plan in an overseas publicly listed company are required to register with SAFE and complete certain other procedures. In February 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plans of Overseas Publicly Listed Companies issued by SAFE in March 2007. Pursuant to the Stock Option Rules, if a PRC resident participates in any stock incentive plan of an overseas publicly listed company, a qualified PRC domestic agent must, among other things, file on behalf of such participant an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the exercise or sale of stock options or stock such participant holds. Such participating PRC residents' foreign exchange income received from the sale of stock and dividends distributed by the overseas publicly listed company must be fully remitted into a PRC collective foreign currency account opened and managed by the PRC agent before distribution to such participants. We and our PRC resident employees who have been granted stock options or other share-based incentives of ours will be subject to the Stock Option Rules when our company becomes an overseas listed company upon the completion of this offering. If we or our PRC resident participants fail to comply with these regulations, we and/or our PRC resident participants may be subject to fines and legal sanctions.

Risks Related to Our Common Stock and this Offering

Our stock price may be volatile and you may not be able to resell shares of our common stock at or above the price you paid.

The trading price of our common stock following this offering could be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In particular, the trading prices for pharmaceutical, biopharmaceutical and biotechnology companies have been highly volatile as a

result of the COVID-19 pandemic. These factors include those discussed in this "Risk Factors" section of this prospectus and others such as:

- results from, and any delays in, our clinical trials for our two clinical-stage drug candidates or any other future clinical development programs, including any delays related to the COVID-19 pandemic;
- announcements of regulatory approval or disapproval of our current or any future single-agent and combination therapy candidates;
- the failure or discontinuation of any of our research and development programs;
- the termination of any of our existing license agreements;
- announcements relating to any future licensing, collaboration or development agreements;
- delays in the commercialization of our current or any future single-agent and combination therapy candidates;
- public misperception regarding the use of our single-agent and combination therapy candidates;
- acquisitions and sales of new products or single-agent and combination therapy candidates, technologies or businesses;
- manufacturing and supply issues related to our single-agent and combination therapy candidates for clinical trials or future single-agent and combination therapy candidates for commercialization;
- quarterly variations in our results of operations or those of our competitors;
- changes in earnings estimates or recommendations by securities analysts;
- announcements by us or our competitors related to new or existing products or drug candidates, significant contracts, commercial relationships, acquisitions or capital commitments;
- developments with respect to intellectual property rights;
- our commencement of, or involvement in, litigation;
- changes in financial estimates or guidance;
- any major changes in our board of directors or management;
- new legislation or regulation in the United States or abroad relating to the sale or pricing of pharmaceuticals;
- the FDA or other U.S. or foreign regulatory actions affecting us or our industry or the indications for which we are developing our current or future single-agent and combination therapy candidates;
- product liability claims or other litigation or public concern about the safety of our single-agent and combination therapy candidates;
- market conditions in the pharmaceutical, biopharmaceutical and biotechnology sectors; and
- general economic conditions in the United States and abroad, including as a result of an economic recession or depression and market volatility related to the COVID-19 pandemic and global health concerns.

In addition, the stock markets in general, and the markets for pharmaceutical, biopharmaceutical and biotechnology stocks in particular, have experienced extreme volatility that may have been unrelated to the operating performance of the issuer. These broad market fluctuations may adversely affect the trading price or liquidity of our common stock.

An active, liquid and orderly market for our common stock may not develop, and you may not be able to resell your common stock at or above the public offering price.

Prior to this offering, there has been no public market for shares of our common stock, and an active public market for our shares may not develop or be sustained after this offering. We and the representatives of the underwriters will determine the initial public offering price of our common stock through negotiation. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell our shares following this offering. In addition, an active trading market may not develop following the consummation of this offering or, if it is developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other single-agent and combination therapy candidates, businesses or technologies using our shares as consideration.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no or few securities or industry analysts commence coverage of us, the trading price for our stock would be negatively impacted. In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our clinical trials and operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We are an "emerging growth company," and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our common stock may be less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, as an "emerging growth company," the JOBS Act allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to use this extended transition period under the JOBS Act. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make comparison of our financials to those of other public companies more difficult.

We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year following the fifth anniversary of the consummation of this offering, (2) the last day of the fiscal year in which we have total annual gross revenue of at least $1.07 billion, (3) the last day of the fiscal year in which we are deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year, or (4) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

We will incur significant costs as a result of operating as a public company, and our management will devote substantial time to new compliance initiatives. We may fail to comply with the rules that apply to public companies, including Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, which could result in sanctions or other penalties that could materially and adversely affect our business, financial condition, results of operations and prospects.

We will incur significant legal, accounting and other expenses as a public company, including costs resulting from public company reporting obligations under the Exchange Act and regulations regarding corporate governance practices. The listing requirements of The Nasdaq Stock Market LLC and the rules of the Securities and Exchange Commission, or SEC, require that we satisfy certain corporate governance requirements relating to director independence, filing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel will need to devote a substantial amount of time to ensure that we comply with all of these requirements. Moreover, the reporting requirements, rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. Any changes we make to comply with these obligations may not be sufficient to allow us to satisfy our obligations as a public company on a timely basis, or at all. These reporting requirements, rules and regulations, coupled with the increase in potential litigation exposure associated with being a public company, could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or board committees or to serve as executive officers, or to obtain certain types of insurance, including directors' and officers' insurance, on acceptable terms.

After this offering, we will be subject to Section 404 and the related rules of the SEC, which generally require our management and independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. Beginning with the second annual report that we will be required to file with the SEC, Section 404 requires an annual management assessment of the effectiveness of our internal control over financial reporting. However, for so long as we remain an emerging growth company as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404. Once we are no longer an emerging growth company or, if prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting.

During the course of our review and testing, we may identify deficiencies and be unable to remediate them before we must provide the required reports. Furthermore, if we identify any material weaknesses, we may not detect errors on a timely basis and our financial statements may be materially misstated. We or our independent registered public accounting firm may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting, which could materially and adversely affect our business, financial condition, results of operations and prospects, cause investors to lose confidence in our reported financial information and cause the trading price of our stock to fall. In addition, as a public company we will be required to file accurate and timely quarterly and annual reports with the SEC under the Exchange Act. In order to report our results of operations and financial statements on an accurate and timely basis, we will depend in part on CROs and other third parties to provide timely and accurate notice of their costs to us. Any failure to report our financial results on an accurate and timely basis could result in sanctions, lawsuits, delisting of our shares from the Nasdaq Global Market or other adverse consequences that would materially and adversely affect our business, financial condition, results of operations and prospects.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The initial public offering price of our common stock is substantially higher than the pro forma net tangible book value per share of our common stock before giving effect to this offering. Accordingly, if you purchase our

common stock in this offering, you will incur immediate substantial dilution of approximately $ per share, based on an assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover of this prospectus, and our pro forma as adjusted net tangible book value as of September 30, 2020. In addition, following this offering, purchasers in this offering will have contributed approximately % of the total gross consideration paid by stockholders to us to purchase shares of our common stock through September 30, 2020, but will own only approximately % of the shares of common stock outstanding immediately after this offering. Furthermore, if the underwriters exercise their option to purchase additional shares or outstanding options are exercised, you could experience further dilution. For a further description of the dilution that you will experience immediately after this offering, see the section titled "Dilution."

If we sell shares of our common stock in future financings, stockholders may experience immediate dilution and, as a result, our stock price may decline.

We may from time to time issue additional shares of common stock at a discount from the current trading price of our common stock. As a result, our stockholders would experience immediate dilution upon the purchase of any shares of our common stock sold at such discount. In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities, preferred stock or common stock. If we issue common stock or securities convertible into common stock, our common stockholders would experience additional dilution and, as a result, our stock price may 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.

As of September 30, 2020, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially owned approximately % of our voting stock and, upon the closing of this offering, that same group will hold approximately % of our outstanding voting stock (assuming no exercise of the underwriters' option to purchase additional shares and no exercise of outstanding options). In addition, such stockholders have designated the majority of the directors on our board. Therefore, even after this offering 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 may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders.

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

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline. Immediately after this offering, based upon the number of shares outstanding as of September 30, 2020 (including the conversion of all of our shares of convertible preferred stock outstanding as of September 30, 2020, as well as the conversion of all of our shares of convertible preferred stock issued and sold in December 2020 into an aggregate of 225,109,409 shares of our common stock immediately prior to the completion of this offering), immediately prior to the completion of this offering, we will have outstanding a total of shares of common stock, assuming no exercise of the underwriters' option to purchase additional shares. Of these shares, substantially all of the shares of our common stock sold in this offering (excluding any shares sold to our director or officers in the directed share program), plus any shares sold upon exercise of the underwriters' option to purchase additional shares, will be freely tradable, without restriction, in the public market immediately following this offering.

The lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus. Based upon the number of shares outstanding as of September 30, 2020 (including the conversion of all of our

shares of convertible preferred stock outstanding as of September 30, 2020, as well as the conversion of all of our shares of convertible preferred stock issued and sold in December 2020 into an aggregate of 225,109,409 shares of our common stock immediately prior to the completion of this offering), after the lock-up agreements expire, up to approximately additional shares of common stock will be eligible for sale in the public market, approximately of which shares are held by directors, executive officers and other affiliates and will be subject to Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. The representatives may, however, in their sole discretion, permit our officers, directors and other stockholders who are subject to these lock-up agreements to sell shares prior to the expiration of the lock-up agreements.

In addition, as of September 30, 2020, approximately shares of common stock that are either subject to outstanding options or reserved for future issuance under our equity incentive plans, will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements and Rule 144 and Rule 701 under the Securities Act. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

After this offering, the holders of approximately shares of our common stock, or approximately % of our total outstanding shares of common stock as of September 30, 2020 (including the conversion of all of our shares of convertible preferred stock outstanding as of September 30, 2020, as well as the conversion of all of our shares of convertible preferred stock issued and sold in December 2020 into an aggregate of 225,109,409 shares of our common stock immediately prior to the completion of this offering), will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up agreements described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

We have broad discretion to determine how to use the funds raised in this offering, and may use them in ways that may not enhance our operating results or the price of our common stock.

Our management will have broad discretion over the use of proceeds from this offering, and we could spend the proceeds from this offering in ways our stockholders may not agree with or that do not yield a favorable return, if at all. We currently expect to use the net proceeds from this offering, together with our existing cash and cash equivalents, to advance TERN-101 through the Phase 2a clinical trial (the LIFT Study), advance TERN-501 monotherapy through the Phase 1 clinical trial, initiate and advance Phase 2 clinical development for our combination therapy program and advance TERN-201 through the Phase 1b clinical trial, as well as advance our research and development activities, including our GLP-1R and combination programs, and for working capital and other general corporate purposes. However, our use of these proceeds may differ substantially from our current plans. If we do not invest or apply the proceeds of this offering in ways that improve our operating results, we may fail to achieve expected financial results, which could cause our stock price to decline.

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

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards, or NOLs, and other pre-change tax attributes (such as research and development tax credits) to offset its post-change income or taxes may be limited. We may have experienced ownership changes in the past and may experience ownership changes as a result of this offering and/or subsequent shifts in our stock ownership (some of which are outside our control). As a result, our ability to use our pre-change NOLs and tax credits to offset future taxable income, if any, could be subject to limitations. Similar provisions of state tax law may also apply. As a result, even if we attain profitability, we may be unable to use a material portion of our NOLs and tax credits.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of management.

Our amended and restated certificate of incorporation and amended and restated bylaws, both of which will become effective immediately prior to the completion of this offering, will contain provisions that could delay or prevent changes in control or changes in our management without the consent of our board of directors. These provisions will include the following:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy, however occurring, including by an expansion of the board of directors, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to authorize the issuance of shares of preferred stock and to determine the price and other terms of those shares, including voting or other rights or preferences, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the ability of our board of directors to alter our amended and restated bylaws without obtaining stockholder approval;
- the required approval of at least 66 2/3% of the shares entitled to vote at an election of directors to adopt, amend or repeal our amended and restated bylaws or repeal the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

We are also subject to the anti-takeover provisions contained in Section 203 of the Delaware General Corporation Law. Under Section 203, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other exceptions, the board of directors has approved the transaction. For a description of our capital stock, see the section titled "Description of Capital Stock."

As a California-domiciled public company, we will be required to have at least two or three women and at least one director from an underrepresented community on our board of directors by the end of 2021, depending on the size of our board at the time.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified individuals to our board of directors. As a public company headquartered in California, we will be required to have two or three women on our board of directors by the end of 2021, depending on the size of our board of directors at the time. We will be also required to have at least one director from an underrepresented community by the end of 2021 and to have two or three two or three directors from an underrepresented community by the

end of 2022, depending on the size of our board of directors at the time. While we currently have three women and five directors from an underrepresented community on the board of directors, recruiting and retaining board members carries uncertainty, and failure to comply with this California requirement will result in financial penalties.

Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that we will indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law.

In addition, as permitted by Section 145 of the Delaware General Corporation Law, our amended and restated bylaws to be effective immediately prior to the completion of this offering and our indemnification agreements that we have entered into with our directors and officers will provide that:

- we will indemnify our directors and officers for serving us in those capacities or for serving other business enterprises at our request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person's conduct was unlawful;
- we may, in our discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law;
- we are required to advance expenses, as incurred, to our directors and officers in connection with defending a proceeding, except that such directors or officers shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification;
- we will not be obligated pursuant to our amended and restated bylaws to indemnify a person with respect to proceedings initiated by that person against us or our other indemnitees, except with respect to proceedings authorized by our board of directors or brought to enforce a right to indemnification;
- the rights conferred in our amended and restated bylaws are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents and to obtain insurance to indemnify such persons; and
- we may not retroactively amend our amended and restated bylaw provisions to reduce our indemnification obligations to directors, officers, employees and agents.

While we maintain a directors' and officers' insurance policy, such insurance may not be adequate to cover all liabilities that we may incur, which may reduce our available funds to satisfy third-party claims and may adversely impact our cash position.

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for certain disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that the Court of Chancery of the State of Delaware (or, in the event that the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or

any action asserting a claim against us that is governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction; and provided further that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware. Our amended and restated certificate of incorporation and amended and restated bylaws will also provide that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action against us or any of our directors, officers, employees or agents and arising under the Securities Act. Nothing in our amended and restated certificate of incorporation and amended and restated bylaws precludes stockholders that assert claims under the Exchange Act from bringing such claims in state or federal court, subject to applicable law.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. Furthermore, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find the choice of forum provision that will be contained in our amended and restated certificate of incorporation and amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

We do not currently intend to pay dividends on our common stock, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not currently intend to pay any cash dividends on our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future. Since we do not intend to pay dividends, your ability to receive a return on your investment will depend on any future appreciation in the market value of our common stock. There is no guarantee that our common stock will appreciate or even maintain the price at which our holders have purchased it.

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

In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Regardless of the merits or the ultimate results of such litigation, securities litigation brought against us could result in substantial costs and divert our management's attention from other business concerns.

Participation in this offering by our existing stockholders and/or their affiliated entities may reduce the public float for our common stock.

To the extent certain of our existing stockholders and their affiliated entities participate in this offering, such purchases would reduce the non-affiliate public float of our shares, meaning the number of shares of our common stock that are not held by officers, directors and controlling stockholders. A reduction in the public float could reduce the number of shares that are available to be traded at any given time, thereby adversely impacting the liquidity of our common stock and depressing the price at which you may be able to sell shares of common stock purchased in this offering.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "design," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "positioned," "potential," "predict," "seek," "should," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- our expectations regarding the potential market size and size of the potential patient populations for our single-agent and combination therapy candidates and any future single-agent and combination therapy candidates if approved for commercial use;
- our clinical and regulatory development plans;
- our expectations with regard to the results of our clinical studies, preclinical studies and research and development programs, including the timing and availability of data from such studies;
- the timing of commencement of future nonclinical studies and clinical trials and research and development programs;
- our ability to acquire, discover, develop and advance single-agent and combination therapy candidates into, and successfully complete, clinical trials;
- our intentions and our ability to establish collaborations and/or partnerships;
- the timing or likelihood of regulatory filings and approvals for our single-agent and combination therapy candidates;
- our commercialization, marketing and manufacturing capabilities and expectations;
- our intentions with respect to the commercialization of our single-agent and combination therapy candidates;
- the pricing and reimbursement of our single-agent and combination therapy candidates, if approved;
- the potential effects of COVID-19 on our preclinical and clinical programs and business;
- the implementation of our business model and strategic plans for our business and single-agent and combination therapy candidates, including additional indications for which we may pursue;
- the scope of protection we are able to establish, maintain, protect and enforce for intellectual property rights covering our single-agent and combination therapy candidates including the projected terms of patent protection;
- estimates of our expenses, future revenue, capital requirements, our needs for additional financing and our ability to obtain additional capital;
- our anticipated use of proceeds from this offering;
- our future financial performance; and
- developments and projections relating to our competitors and our industry, including competing products.

We have based these forward-looking statements largely on our current expectations, estimates, forecasts and projections about future events and financial trends that we believe may affect our financial condition, results

of operations, business strategy and financial needs. In light of the significant uncertainties in these forward-looking statements, you should not rely upon forward-looking statements as predictions of future events. Although we believe that we have a reasonable basis for each forward-looking statement contained in this prospectus, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. You should refer to the section titled "Risk Factors" for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. 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. The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act, do not protect any forward-looking statements that we make in connection with this offering.

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.

MARKET AND INDUSTRY DATA

This prospectus contains estimates, projections and other information concerning our industry, our business, as well as data regarding market research, estimates and forecasts prepared by our management. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors." Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources. In some cases, we do not expressly refer to the sources from which this data is derived. In that regard, when we refer to one or more sources of this type of data in any paragraph, you should assume that other data of this type appearing in the same paragraph is derived from the same sources, unless otherwise expressly stated or the context otherwise requires.

USE OF PROCEEDS

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

Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the net proceeds to us from this offering by approximately $ million, assuming that the number of shares of common stock 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 or decrease of 1,000,000 shares of common stock offered by us would increase or decrease, as applicable, the net proceeds to us by approximately $ million, assuming the assumed initial public offering price of $ per share remains the same, and after deducting the 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 create a public market for our common stock and to facilitate our future access to the public markets. We currently intend to use the net proceeds from this offering, together with our existing cash and cash equivalents, as follows:

- approximately $ million to $ million to advance the clinical development of TERN-101 including the completion our ongoing Phase 2a clinical trial (the LIFT Study);
- approximately $ million to $ million to initiate and complete our Phase 1 clinical trial of TERN-501 as a monotherapy, initiate and complete our Phase 2a clinical trial of TERN-501 in combination with TERN-101 and initiate and partially conduct a Phase 2b clinical trial of TERN-501 in combination with TERN-101;
- approximately $ million to $ million to initiate and complete our planned Phase 1b clinical trial of TERN-201;
- approximately $ million to $ million on our earlier stage research and development activities, including advancing our GLP-1R program into Phase 1 clinical development; and
- any remaining proceeds for working capital and other general corporate purposes.

Based upon our current operating plan, we believe that the anticipated net proceeds from this offering, together with our existing cash and cash equivalents, which includes gross proceeds of approximately $87.4 million (including conversion of the $15.0 million of convertible notes and effective conversion of $1.8 million in a bridge loan, plus accrued interest) from the issuance and sale of our convertible preferred stock in December 2020, will enable us to fund our operating expenses and capital expenditure requirements at least through .

This expected use of the net proceeds from this offering represents our intentions based on our current plans and business conditions, which could change in the future as our plans and business conditions evolve. Further, due to the uncertainties inherent in the drug development process, it is difficult to estimate with certainty the exact amounts of the net proceeds from this offering that may be used for the above purposes. We may also use a portion of the remaining net proceeds and our existing cash and cash equivalents to in-license, acquire or invest in complementary businesses, technologies, products or assets. However, we have no current commitments or obligations to do so.

Our management will have broad discretion over the use of the net proceeds from this offering, and our investors will be relying on the judgment of our management regarding the application of the net proceeds of this

offering. The amounts and timing of our expenditures will depend upon numerous factors including the results of our research and development efforts, the timing and success of our preclinical studies and ongoing clinical trials or clinical trials we may commence in the future, the timing of regulatory submissions, the amount of cash obtained through any future collaborations and other factors described in the section titled "Risk Factors."

The expected net proceeds from this offering, together with our cash and cash equivalents, will not be sufficient for us to fund any of our drug or combination therapy candidates through regulatory approval, and we will need to raise additional capital to complete the development and commercialization of our drug and combination therapy candidates. We expect to finance our cash needs through a combination of equity offerings, debt financings and potential collaborations, and license and development agreements. We have based these estimates on assumptions that may prove to be incorrect, and we could expend our available capital resources at a rate greater than we currently expect.

Pending the use of the net proceeds from this offering as described above, we intend to invest the net proceeds in a variety of capital preservation instruments, including short-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 cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and expansion of our business. Any future determination related to dividend policy will be made at the discretion of our board of directors, subject to applicable laws, and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. In addition, our ability to pay cash dividends on our capital stock may be limited by the terms of any future debt or preferred securities we issue or any credit facilities we enter into.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, and our capitalization as of September 30, 2020 on:

- an actual basis;
- a pro forma basis, to reflect: (i) the conversion of all of our shares of convertible preferred stock outstanding as of September 30, 2020 into 102,683,323 shares of our common stock, which will occur immediately prior to the completion of this offering, (ii) the issuance and sale of shares of our convertible preferred stock in December 2020 for aggregate gross proceeds of approximately $87.4 million (including conversion of the $15.0 million of convertible notes and effective conversion of $1.8 million in a bridge loan, plus accrued interest) and the subsequent conversion into 122,426,086 shares of our common stock, which will occur immediately prior to the completion of the offering, and (iii) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware, which will be in effect immediately prior to the completion of this offering; and
- a pro forma as adjusted basis, to reflect (i) the pro forma adjustments set forth above; and (ii) the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with the sections titled "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. The pro forma information below is illustrative only and our capitalization following the closing of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

	As of September 30, 2020		
	Actual	Pro Forma	Pro Forma as Adjusted(1)
	(unaudited) (in thousands, except share and per share amounts)		
Cash, cash equivalents, short-term investments and marketable securities	$ 13,756	$	$
Non-controlling interest	$ 13,599	$	$
Convertible preferred stock, $0.0001 par value, per share; 76,409,088 shares authorized, 62,628,785 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	94,967		
Stockholders' (deficit) equity:			
Preferred stock, $0.0001 par value, no shares authorized, issued and outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—		
Common stock, $0.0001 par value per share; 100,000,000 shares authorized, 4,328,276 shares issued and outstanding, actual; no shares authorized and shares issued and outstanding, pro forma and pro forma as adjusted	—		
Additional paid-in capital	2,081		
Accumulated other comprehensive loss	90		
Accumulated deficit	(121,986)		
Total stockholders' (deficit) equity	(119,815)		
Total capitalization	$ 2,507	$	$

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately $ million, assuming that the number of shares of common stock offered by us, as set forth on the

cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1,000,000 shares of common stock offered by us would increase or decrease, as applicable, each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately $ million, assuming that the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The number of shares of our common stock issued and outstanding, pro forma and pro forma as adjusted, in the table above is based on shares of common stock outstanding (after giving effect to the conversion of all of our shares of convertible preferred stock outstanding as of September 30, 2020, as well as the issuance and subsequent conversion of all of our shares of convertible preferred stock issued and sold in December 2020 into an aggregate of 225,109,409 shares of our common stock immediately prior to the completion of this offering), and excludes:

- 12,963,675 shares of our common stock issuable upon the exercise of outstanding stock options as of September 30, 2020, with a weighted-average exercise price of $0.44 per share;
- 22,097,758 shares of our common stock issuable upon the exercise of outstanding stock options granted subsequent to September 30, 2020, with a weighted-average exercise price of $0.66 per share;
- shares of our common stock reserved for future issuance under our 2021 Incentive Award Plan, or the 2021 Plan, which will become effective on the date immediately prior to the date our registration statement relating to this offering becomes effective, as well as any future increases in the number of shares of common stock reserved for issuance under the 2021 Plan; and
- shares of our common stock reserved for future issuance under the 2021 Employee Stock Purchase Plan, or the ESPP, which will become effective on the date immediately prior to the date our registration statement relating to this offering becomes effective, as well as any future increases in the number of shares of common stock reserved for issuance under the ESPP.

DILUTION

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

Our historical net tangible book value (deficit) as of September 30, 2020 was $ million, or $ per share of our common stock. Our historical net tangible book value (deficit) represents our total tangible assets less total liabilities and convertible preferred stock. Historical net tangible book value (deficit) per share is our historical net tangible book value (deficit) divided by the number of shares of our common stock outstanding as of September 30, 2020.

Our pro forma net tangible book value as of September 30, 2020 was $ million, or $ per share of our common stock, based on the total number of shares of our common stock outstanding as of September 30, 2020. Pro forma net tangible book value per share represents our total tangible assets less our total liabilities, divided by the number of outstanding shares of common stock, after giving effect to the conversion of all of the outstanding shares of our convertible preferred stock outstanding as of September 30, 2020 and the conversion of all of our outstanding shares of our convertible preferred stock issued and sold in December 2020 into an aggregate of 225,109,409 shares of our common stock, which will occur immediately prior to the completion of this offering.

After giving effect to the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2020 would have been $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to new investors participating in this offering.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$
Historical net tangible book value (deficit) per share as of September 30, 2020	$	
Pro forma increase in net tangible book value per share as of September 30, 2020 attributable to the pro forma transactions described above		
Pro forma net tangible book value per share as of September 30, 2020		
Increase in pro forma net tangible book value per share attributable to new investors participating in this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors participating in this offering		$

Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, our pro forma as adjusted net tangible book value per share after this offering by $ per share and the dilution per share to new investors participating in this offering by $ per share, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, an increase of 1,000,000 in the number of shares of common stock offered by us would increase the pro forma as adjusted net tangible book value after this offering by $ per share and decrease the dilution per share to new investors participating in this offering by $ per share, and a decrease of 1,000,000 shares of

common stock offered by us would decrease the pro forma as adjusted net tangible book value by $ per share, and increase the dilution per share to new investors in this offering by $ per share, assuming that the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional shares of common stock from us, the pro forma as adjusted net tangible book value per share after giving effect to this offering would be $ per share, representing an immediate increase to existing stockholders of $ per share, and dilution to new investors participating in this offering of $ per share.

The following table summarizes on the pro forma as adjusted basis described above, the differences between the number of shares purchased from us, the total consideration paid and the average price per share paid to us by existing stockholders and by investors purchasing shares in this offering at the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page on this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		100%	$	100%	

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the total consideration paid by new investors by $ million and, in the case of an increase, would increase the percentage of total consideration paid by new investors to % and, in the case of a decrease, would decrease the percentage of total consideration paid by new investors to %, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. Similarly, an increase or decrease of 1,000,000 shares in the number of shares offered by us would increase or decrease, as applicable, the total consideration paid by new investors by $ million and, in the case of an increase, would increase the percentage of total consideration paid by new investors to % and, in the case of a decrease, would decrease the percentage of total consideration paid by new investors to %, assuming that the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same.

If the underwriters exercise their option to purchase additional shares in full, our existing stockholders would own % and our new investors would own % of the total number of shares of our common stock outstanding upon the completion of this offering.

The number of shares of our common stock issued and outstanding, pro forma and pro forma as adjusted, in the table above is based on 231,001,405 shares of common stock outstanding (after giving effect to the conversion of all of our shares of convertible preferred stock outstanding as of September 30, 2020, as well as the issuance and subsequent conversion of all of our shares of convertible preferred stock issued and sold in December 2020 into an aggregate of 225,109,409 shares of our common stock immediately prior to the completion of this offering), and excludes:

- 12,963,675 shares of our common stock issuable upon the exercise of outstanding stock options as of September 30, 2020, with a weighted-average exercise price of $0.44 per share;
- 22,097,758 shares of our common stock issuable upon the exercise of outstanding stock options granted subsequent to September 30, 2020, with a weighted average exercise price of $0.66 per share;

- shares of our common stock reserved for future issuance under the 2021 Plan, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future increases in the number of shares of common stock reserved for issuance under our 2021 Plan; and
- shares of our common stock reserved for future issuance under the ESPP, which will become effective on the date immediately prior to the date our registration statement relating to this offering becomes effective, as well as any future increases in the number of shares of common stock reserved for issuance under the ESPP.

To the extent that any outstanding options are exercised, new options or other equity awards are issued under our equity incentive plans, or we issue additional shares in the future, there will be further dilution to new investors participating in this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our selected consolidated statements of operations and consolidated balance sheet data. The selected consolidated statements of operations data for the years ended December 31, 2018 and 2019 and the selected consolidated balance sheet data as of December 31, 2018 and 2019 are derived from our audited consolidated financial statements appearing elsewhere in this prospectus. The summary consolidated statements of operations data for the nine months ended September 30, 2019 and 2020 and the summary consolidated balance sheet data as of September 30, 2020 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected for any period in the future. You should read the following selected consolidated financial data together with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated financial data included in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and the related notes included elsewhere in this prospectus.

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
			(unaudited)	
	(in thousands, except share and per share amounts)			
Consolidated Statements of Operations Data:				
Operating expenses:				
Research and development	$ 14,554	$ 61,534	$ 53,978	$ 20,259
General and administrative	3,901	8,663	6,275	7,998
Total operating expenses	18,455	70,197	60,253	28,257
Loss from operations	(18,455)	(70,197)	(60,253)	(28,257)
Other income (expense):				
Interest income	332	1,204	1,097	53
Foreign exchange gain (loss)	—	—	346	(295)
Change in fair value of loans payable	—	—	—	(2,366)
Other income, net	38	154	15	325
Total other income (expense), net	370	1,358	1,458	(2,283)
Loss before benefit (provision) for income taxes	(18,085)	(68,839)	(58,795)	(30,540)
Benefit (provision) for income taxes	67	20	22	(102)
Net loss	(18,018)	(68,819)	(58,773)	(30,642)
Less: Net (loss) income attributable to noncontrolling interest	(307)	(208)	63	(518)
Net loss attributable to common stockholders	$ (17,711)	$ (68,611)	$ (58,836)	$ (30,124)
Other comprehensive income (loss):				
Unrealized gain on available-for-sale securities, net of tax	$ —	$ 2	$ —	$ —
Foreign exchange translation adjustment, net of tax	(65)	(166)	(491)	196
Comprehensive loss	(18,083)	(68,983)	(59,264)	(30,446)
Less: Comprehensive loss attributable to noncontrolling interest	(320)	(231)	(8)	(490)
Comprehensive loss attributable to common stockholders	$ (17,763)	$ (68,752)	$ (59,256)	$ (29,956)
Net loss per share attributable to common stockholders, basic and diluted	$ (16.97)	$ (26.74)	$ (24.40)	$ (7.96)
Weighted average common stock outstanding, basic and diluted	1,043,744	2,565,692	2,411,750	3,786,526

	As of September 30, 2020		
	Actual (unaudited)	Pro Forma(1)	Pro Forma as Adjusted(2) (3)
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 13,756	$	$
Working capital (deficiency)(4)	(12,602)		
Total assets	17,413		
Noncontrolling interest	13,599		
Convertible preferred stock	94,967		
Accumulated deficit	(121,986)		
Total stockholders' deficit	(119,815)		

(1) The pro forma column reflects: (i) the conversion of all of our shares of convertible preferred stock outstanding as of September 30, 2020 into 102,683,323 shares of our common stock, which will occur immediately prior to the completion of this offering, (ii) the issuance and sale of shares of our convertible preferred stock in December 2020 for aggregate gross proceeds of approximately $87.4 million (including conversion of the $15.0 million of convertible notes and effective conversion of $1.8 million in a bridge loan, plus accrued interest) and the subsequent conversion into 122,426,086 shares of our common stock, which will occur immediately prior to the completion of the offering, and (iii) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware, which will be in effect immediately prior to the completion of this offering.

(2) The pro forma as adjusted column reflects: (i) the pro forma adjustments set forth above, and (ii) the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) The pro forma as adjusted information discussed above is illustrative only and will depend on the actual initial public offering price and other terms of this offering determined at pricing. Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, each of our pro forma as adjusted cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately $ million, assuming the number of shares of common stock 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 or decrease of 1,000,000 shares of common stock offered by us would increase or decrease, as applicable, each of our pro forma as adjusted cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately $ million, assuming the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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

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

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes 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, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this prospectus, our actual results could differ materially from the results described in or implied by these forward-looking statements.

Overview

We are a clinical-stage biopharmaceutical company developing a portfolio of small-molecule single-agent and combination therapy candidates for the treatment of non-alcoholic steatohepatitis, or NASH, and other chronic liver diseases. Our programs are based on clinically-validated and complementary mechanisms of action to address the multiple hepatic disease processes of NASH in order to drive meaningful clinical benefits for patients. The mechanisms of action targeted by our current drug candidates are the same mechanisms of action targeted by other drug candidates that have achieved clinical proof-of-concept in NASH clinical trials and have demonstrated significant improvements on histological and non-invasive markers of the disease, though no drug has been approved for the treatment of NASH in the United States or Europe. Our most advanced program is TERN-101, a liver-distributed, non-bile acid Farnesoid X Receptor, or FXR, agonist that has demonstrated sustained liver FXR activation, as well as a favorable tolerability profile across multiple Phase 1 clinical trials. In our Phase 1 clinical trials, no pruritus, or itching, or increases in LDL cholesterol levels as compared to the control group were observed—unlike in Phase 1 clinical trials of other FXR agonists conducted by third parties. We initiated our Phase 2a clinical trial of TERN-101 in NASH patients (the LIFT Study) in June 2020 and expect top-line data in the third quarter of 2021. Our second clinical stage program, TERN-201, is a highly selective inhibitor of Vascular Adhesion Protein-1, or VAP-1. We intend to start our Phase 1b clinical trial of TERN-201 in NASH patients in the first half of 2021 and expect top-line data in the first half of 2022. Our third program entering the clinic is TERN-501, a Thyroid Hormone Receptor beta, or THR-b, agonist with high metabolic stability, enhanced liver distribution and greater selectivity for THR-b compared to other THR-b agonists in development. We intend to start our Phase 1 first-in-human clinical trial of TERN-501 in the first half of 2021 and expect top-line data in the second half of 2021. We are also pursuing two combination therapy programs to address the multiple disease processes of NASH and expect.

Since the commencement of our operations, we have devoted substantially all of our resources to research and development activities, organizing and staffing our company, business planning, raising capital, establishing and maintaining our intellectual property portfolio, conducting preclinical studies and clinical trials and providing general and administrative support for these operations. We have incurred significant operating losses since the commencement of our operations. Our net losses attributable to common stockholders were $17.7 million and $68.6 million for the years ended December 31, 2018 and 2019, respectively, and $58.8 million and $30.1 million for the nine months ended September 30, 2019 and 2020, respectively, and we expect to continue to incur significant and increasing losses for the foreseeable future as we continue to advance our single-agent and combination therapy candidates, and as we transition to operating as a public company. As of September 30, 2020, we had an accumulated deficit of $122.0 million excluding $1.1 million of net losses that have been allocated to the noncontrolling interest. Including the losses allocated to the noncontrolling interest, we have incurred $123.1 million of losses to date on a consolidated basis. In December 2020, we issued and sold shares of our convertible preferred stock for gross proceeds of approximately $87.4 million (including conversion of the $15.0 million of convertible notes and effective conversion of $1.8 million in a bridge loan, plus accrued interest). We expect to continue to incur net operating losses for at least the next several years as we continue our research and development efforts, advance our single-agent and combination therapy candidates through preclinical and clinical development, seek regulatory approval, prepare for and, if approved, proceed to commercialization. See "—Liquidity and Capital Resources."

We do not have any single-agent or combination therapy candidates approved for commercial sale, and we have not generated any revenue from product sales. Our ability to generate product revenue sufficient to achieve profitability, if ever, will depend on the successful development and eventual commercialization of one or more of our single-agent or combination therapy candidates which we expect, if it ever occurs, will take a number of years. We will not generate any revenue from product sales unless and until we successfully complete clinical development and obtain regulatory approval for one or more of our single-agent or combination therapy candidates. If we obtain regulatory approval for any of our single-agent or combination therapy candidates, we expect to incur significant expenses related to developing our internal commercialization capability to support product sales, marketing and distribution.

We do not own or operate, and currently have no plans to establish, any manufacturing facilities. We rely, and expect to continue to rely, on third parties for the manufacture of our single-agent and combination therapy candidates for preclinical and clinical testing, as well as for commercial manufacturing if any of our single-agent and combination therapy candidates obtain marketing approval. We believe that this strategy allows us to maintain a more efficient infrastructure by eliminating the need for us to invest in our own manufacturing facilities, equipment and personnel while also enabling us to focus our expertise and resources on the development of our single-agent and combination therapy candidates. The coronavirus disease 2019, or COVID-19, pandemic is rapidly evolving. The COVID-19 pandemic continues to impact countries worldwide, including the United States, or U.S., and China where we have business operations. The extent of the impact of the COVID-19 pandemic on our business, operations and development timelines and plans remains uncertain, and will depend on certain developments, including the duration and spread of the outbreak and its impact on our development activities, planned clinical trial enrollment, future trial sites, contract research organizations, or CROs, third-party manufacturers and other third parties with whom we do business, as well as its impact on regulatory authorities and our key scientific and management personnel. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. To the extent possible, we are conducting business as usual, with necessary or advisable modifications to employee travel and with our employees working remotely. We will continue to actively monitor the rapidly evolving situation related to the COVID-19 pandemic and may take further actions that alter our operations, including those that may be required by federal, state or local authorities in the U.S. and China, or that we determine are in the best interest of our employees and other third parties with whom we do business. At this point, the extent to which the COVID-19 pandemic may affect our business, operations and development timelines and plans, including the resulting impact on our expenditures and capital needs, remains uncertain.

Components of our results of operations

Revenue

To date, we have not generated, and do not expect to generate, any revenue from the sale of products for the foreseeable future.

Operating expenses

Research and development

Research and development expenses account for a significant portion of our operating expenses and consist primarily of external and internal expenses incurred in connection with the discovery and development of our single-agent and combination therapy candidates. To date, our research and development expenses have related primarily to discovery efforts, preclinical and clinical development of our single-agent and combination therapy candidates. Research and development expenses are recognized as incurred and payments made prior to the receipt of goods or services to be used in research and development are capitalized until the goods or services are received. Costs for certain activities, such as manufacturing and preclinical studies and clinical trials, are generally recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and collaborators.

External expenses include:

- expenses incurred in connection with the discovery, preclinical and clinical development of our single-agent and combination therapy candidates, including those incurred under agreements with third parties, such as consultants and CROs;
- the cost of manufacturing products for use in our preclinical studies and clinical trials, including payments to contract manufacturing organizations, or CMOs, and consultants;
- the costs of funding research performed by third-party vendors for performing preclinical testing on our behalf;
- the costs of purchasing lab supplies and non-capital equipment used in designing, developing and manufacturing preclinical study and clinical trial materials;
- costs associated with consultants for chemistry, manufacturing and controls development, regulatory, statistics and other services;
- expenses related to regulatory activities, including filing fees paid to regulatory agencies; and
- facility costs including rent, depreciation and maintenance expenses.

Internal expenses include employee and personnel-related costs and expenses, including salaries, benefits and stock-based compensation expense for employees and personnel engaged in research and development functions.

We typically use our employee, consultant and infrastructure resources across our development programs. We track outsourced development costs by drug candidate or preclinical program, but we do not allocate personnel costs, other internal costs or external consultant costs to specific drug candidates or preclinical programs.

Our direct research and development expenses are tracked on a program-by-program basis for our drug and combination therapy candidates and consist primarily of external costs, such as fees paid to outside consultants, CROs and CMOs in connection with our preclinical development, manufacturing and clinical development activities. Our direct research and development expenses by program also include fees incurred under our license agreements. We do not allocate employee costs or facility expenses, including depreciation or other indirect costs, to specific programs because these costs are deployed across multiple programs and, as such, are not separately classified. We use internal resources primarily to oversee the research and discovery as well as for managing our preclinical development, process development, manufacturing and clinical development activities. These employees work across multiple programs and, therefore, we do not track their costs by program.

The table below summarizes our research and development expenses incurred by program during the periods indicated:

	Year Ended December 31,		
	2018	2019	Change
	(in thousands)		
Research and Development			
Direct research and development expense by program:			
TERN-101	$ 1,308	$ 6,939	$ 5,631
TERN-201	1,058	5,162	4,104
TERN-501	941	3,934	2,993
Other programs	4,481	4,800	319
Total direct research and development expense	7,788	20,835	13,047
Personnel related (including stock-based compensation)	2,549	5,121	2,572
License fees	4,000	35,000	31,000
Indirect research and development expense	217	578	361
Total research and development expenses	$14,554	$61,534	$46,980

	Nine Months Ended September 30,		
	2019	2020	Change
	(unaudited) (in thousands)		
Research and Development			
Direct research and development expense by program:			
TERN-101	$ 4,186	$ 7,552	$ 3,366
TERN-201	4,254	2,636	(1,618)
TERN-501	1,874	2,692	818
Other programs	4,645	2,600	(2,045)
Total direct research and development expense	14,959	15,480	521
Personnel related (including stock-based compensation)	3,616	4,376	760
License fees	35,000	—	(35,000)
Indirect research and development expense	403	403	—
Total research and development expenses	$53,978	$20,259	$(33,719)

We expect our research and development expenses to increase substantially in absolute dollars for the foreseeable future as we advance our single-agent and combination therapy candidates or any other future single-agent or combination therapy candidates we may develop into and through preclinical studies and clinical trials and pursue regulatory approval of our single-agent and combination therapy candidates. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming. The actual probability of success for our single-agent and combination therapy candidates or any other future single-agent or combination therapy candidate that we may develop may be affected by a variety of factors including: the safety and efficacy of our single-agent and combination therapy candidates, early clinical data, investment in our clinical program, the ability of collaborators to successfully develop our licensed single-agent and combination therapy candidates, competition, manufacturing capability and commercial viability. We may never succeed in achieving regulatory approval for our single-agent and combination therapy candidates. As a result of the uncertainties discussed above, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of our single-agent and combination therapy candidates or any other future single-agent and combination therapy candidates we may develop. The duration, costs and timing of preclinical studies and clinical trials and

development of our single-agent and combination therapy candidates will depend on a variety of factors, including:

- the timing and progress of preclinical and clinical development activities;
- the number and scope of preclinical and clinical programs we decide to pursue;
- our ability to maintain our current research and development programs and to establish new ones;
- establishing an appropriate safety profile with investigational new drug-enabling toxicology studies;
- the successful patient enrollment in, and the initiation and completion of, clinical trials;
- the successful completion of clinical trials with safety, tolerability and efficacy profiles that are satisfactory to the U.S. Food and Drug Administration, or the FDA, or any comparable foreign regulatory authority;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- the receipt of regulatory approvals from applicable regulatory authorities;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities;
- our ability to establish licensing or collaboration arrangements;
- the performance of our future collaborators, if any;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- the development and timely delivery of commercial-grade product formulations that can be used in our planned clinical trials and for commercial launch;
- commercializing our single-agent and combination therapy candidates, if approved, whether alone or in collaboration with others;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our drug and combination therapy candidates;
- obtaining, maintaining, defending and enforcing patent claims and other intellectual property rights;
- maintaining a continued acceptable safety profile of our products following approval; and
- obtaining and retaining key research and development personnel.

Any changes in the outcome of any of these factors could significantly impact the costs, timing and viability associated with the development of our single-agent and combination therapy candidates.

General and administrative

General and administrative expenses consist primarily of personnel-related expenses, including salaries, benefits and stock-based compensation expense, for personnel in executive, finance, accounting, business development, legal, human resource and other administrative functions. General and administrative expenses also include corporate facility costs not otherwise included in research and development expenses, depreciation and other expenses, which include direct or allocated expenses for rent and maintenance of facilities and insurance, not otherwise included in research and development expenses, as well as professional fees for legal, patent, consulting, investor and public relations, accounting and tax services.

We expect that our general and administrative expenses will increase substantially in the foreseeable future as we increase our headcount to support the continued research and development of our programs and the growth

of our business. We also anticipate incurring additional expenses associated with operating as a public company, including increased expenses related to accounting, legal and regulatory matters, compliance, director and officer insurance, investor and public relations and tax-related services associated with maintaining compliance with the rules and regulations of the SEC and standards applicable to companies listed on a national securities exchange, additional insurance expenses, investor relations activities and other administrative and professional services.

Other income (expense)

Interest income

Interest income primarily consists of interest income on our marketable securities and short-term investments.

Foreign exchange gain (loss)

Foreign exchange gain (loss) primarily consists of foreign exchange gain or loss and government grants received by our majority-owned subsidiary Terns China Biotechnology Co., Ltd. (organized in Shanghai, People's Republic of China, or PRC), or Terns China. Our assets and liabilities from our subsidiaries Terns Biotechnology Co., Ltd. Suzhou PRC, or Terns Suzhou, and our majority-owned subsidiary Terns China are translated from their functional currency of the Chinese Yuan, or CNY, to the U.S. dollar reporting currency at the balance sheet date exchange rates, while income and expense items are translated at the average exchange rates prevailing during the fiscal year. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as accumulated other comprehensive income (loss) on the consolidated balance sheets.

Other income

Other income primarily consists of a tax rebate.

Income Taxes

We account for income taxes using an asset and liability approach. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are provided when necessary to reduce net deferred tax assets to an amount that is more likely than not to be realized.

In determining whether a valuation allowance for deferred tax assets is necessary, we analyze both positive and negative evidence related to the realization of deferred tax assets and inherent in that, assess the likelihood of sufficient future taxable income. We also consider the expected reversal of deferred tax liabilities and analyze the period in which these would be expected to reverse to determine whether the taxable temporary difference amounts serve as an adequate source of future taxable income to support the realizability of the deferred tax assets. In addition, we consider whether it is more likely than not that the tax position will be sustained upon examination by taxing authorities based on the technical merits of the position.

We are subject to income taxes in the U.S. and foreign countries, and we are subject to routine corporate income tax audits in these jurisdictions. We believe that our tax return positions are fully supported, but tax authorities are likely to challenge certain positions, which may not be fully sustained. Our income tax expense includes amounts intended to satisfy income tax assessments that result from these challenges in accordance with the accounting for uncertainty in income taxes prescribed by U.S. generally accepted accounting principles, or U.S. GAAP. Determining the income tax expense for these potential assessments and recording the related assets and liabilities requires management judgments and estimates.

Net Loss Attributable to Noncontrolling Interest

In 2017, we established the entity Terns China as a financing subsidiary to allow investment by Lilly Asia Ventures, or LAV, investment entities: Suzhou Litai Equity Investment Centre (Limited Partnership) (PRC) and Suzhou Lirui Equity Investment Centre (Limited Partnership) (PRC), or collectively referred to as the LAV PRC Entities. Our board of directors have the unilateral ability to control the Terns China board of directors and direct the economic activities that most significantly affect the entity. Accordingly, we have determined that the entity is a variable interest entity, or VIE, and we are the primary beneficiary. Following the completion of the China Conversion, we do not currently anticipate any further direct investments into Terns China and Terns China will only act as an operating subsidiary for our business activities in China. Through September 30, 2020, losses at Terns China have been allocated to the LAV PRC Entities' noncontrolling interest and are reflected in our consolidated statements of operations and comprehensive loss. As of September 30, 2020, the noncontrolling interest is classified outside of stockholders' deficit on the consolidated balance sheets as it is redeemable for cash based on an investor option after a specified date.

Results of operations

Comparison of the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020

The following table summarizes our results of operations for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 (in thousands):

	Year Ended December 31,			Nine Months Ended September 30,		
	2018	2019	Change	2019	2020	Change
				(unaudited)		
Results of Operations						
Operating expenses:						
Research and development	$ 14,554	$ 61,534	$ 46,980	$ 53,978	$ 20,259	$ (33,719)
General and administrative	3,901	8,663	4,762	6,275	7,998	1,723
Total operating expenses	18,455	70,197	51,742	60,253	28,257	(31,996)
Loss from operations	(18,455)	(70,197)	(51,742)	(60,253)	(28,257)	31,996
Other income (expense):						
Interest income	332	1,204	872	1,097	53	(1,044)
Foreign exchange gain (loss)	37	140	103	346	(295)	(641)
Change in fair value of loans payable	—	—	—	—	(2,366)	(2,366)
Other income, net	1	14	13	15	325	310
Total other income (expense), net	370	1,358	988	1,458	(2,283)	(3,741)
Loss before benefit (provision) for income taxes	(18,085)	(68,839)	(50,754)	(58,795)	(30,540)	28,255
Benefit (provision) for income taxes	67	20	(47)	22	(102)	(124)
Net loss	$ (18,018)	$ (68,819)	$ (50,801)	$ (58,773)	$ (30,642)	$ 28,131

Research and development expenses

Research and development expenses for the year ended December 31, 2018 were $14.6 million, compared to $61.5 million for the year ended December 31, 2019. The increase of $47.0 million was primarily due to a $35.0 million one-time milestone payment made in connection with the Genfit SA, or Genfit, collaboration agreement (as further described in Note 14, Assignment, License and Collaboration Agreements to our audited

consolidated financial statements and Note 13, Assignment, License and Collaboration Agreements to our unaudited condensed consolidated financial statements to the consolidated financial statements) and a $13.0 million increase in program related expenses, of which $12.7 million relates to the TERN-101, TERN-201 and TERN-501 programs.

Research and development expenses for the nine months ended September 30, 2019 were $54.0 million, compared to $20.3 million for the nine months ended September 30, 2020. The decrease of $33.7 million was primarily due to a $35.0 million one-time milestone payment made in connection with the Genfit collaboration agreement that occurred during the nine months ended September 30, 2019. Excluding such milestone payment, research and development expenses for the nine months ended September 30, 2020 increased by $1.2 million as compared to the nine months ended September 30, 2019, which includes an $0.7 million increase in salaries and wages and a $0.5 million increase in program related expenses. The $0.5 million increase in program related expenses was primarily driven by $2.6 million related to the TERN-101, TERN-201 and TERN-501 programs offset by a decrease of $2.0 million in other programs.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2018 were $3.9 million, compared to $8.7 million for the year ended December 31, 2019. The increase of $4.8 million was primarily due to a $1.8 million increase in professional services. In addition, there was a $1.6 million increase in employee-related expenses primarily related to increased headcount to support our continued research activities and development of our drug and combination therapy candidates, a $0.5 million increase in rent expense to facilitate company growth and a $0.3 million increase in employee travel-related expenses.

General and administrative expenses for the nine months ended September 30, 2019 were $6.3 million, compared to $8.0 million for the nine months ended September 30, 2020. The increase of $1.7 million was primarily due to a $0.8 million increase in employee-related expenses primarily related to increased headcount to support our continued research activities and development of our drug and combination therapy candidates, a $0.4 million increase in IT-related expenses, a $0.4 million increase in professional services and consulting. In addition, there was a $0.1 million increase in rent expense to facilitate company growth.

Interest income

Interest income for the year ended December 31, 2018 was $0.4 million, compared to $1.4 million for the year ended December 31, 2019. The increase of $1.0 million was primarily due to interest earned from our marketable securities and short-term investments.

Interest income for the nine months ended September 30, 2019 was $1.1 million, compared to less than $0.1 million for the nine months ended September 30, 2020. The decrease of $1.0 million was primarily due to the maturity of marketable securities during the nine months ended September 30, 2020.

Foreign exchange gain (loss)

Foreign exchange gain for the years ended December 31, 2018 and 2019 was not material.

Foreign exchange gain for the nine months ended September 30, 2019 was $0.3 million, foreign exchange loss for the nine months ended September 30, 2020 was $0.3 million. The change in foreign exchange gain (loss) relates to the change in value of the CNY to the U.S. dollar.

Change in fair value of loans payable

The change in fair value of loans payable for the nine months ended September 30, 2020 was a non-cash charge of $2.4 million. The change in the fair value of loans payable was due to the difference in fair value for

our convertible loans payable between June 30, 2020 and September 30, 2020. Once the loans payable are settled, remeasurement for the loans payable will no longer be required and we will no longer record such expense (or income).

Other income, net

Other income, net for the years ended December 31, 2018 and 2019 was not material.

Other income, net for the nine months ended September 30, 2019 was less than $0.1 million and was $0.3 million for the nine months ended September 30, 2020. The $0.3 million increase was due to a tax rebate.

Income taxes

The provision for income taxes primarily relates to projected federal, state, and foreign income taxes. To determine the quarterly provision for income taxes, we used an estimated annual effective tax rate, which is generally based on expected annual income and statutory tax rates in the various jurisdictions in which we operate. In addition, the tax effects of certain significant or unusual items are recognized discretely in the quarter during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

We utilize the asset and liability method of accounting for income taxes, under which deferred taxes are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the temporary differences reverse. We record a valuation allowance to reduce its deferred taxes to the amount it believes is more likely than not to be realized. In making such determination, we consider all available positive and negative evidence quarterly, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. Based upon our review of all positive and negative evidence, we continue to have a valuation allowance on our state research and development deferred tax assets.

We recorded an income tax benefit of $22,000 in the nine months ended September 30, 2019 and an income tax provision of $0.1 million in the nine months ended September 30, 2020 primarily related to federal research and development credits, and foreign tax loss benefits, partially offset by foreign uncertain tax positions.

Income tax positions must meet a more-likely-than-not threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first financial reporting period in which that threshold is no longer met. We record potential penalties and interest accrued related to unrecognized tax benefits within the consolidated statements of operations as income tax expense.

During the nine months ended September 30, 2020, our unrecognized tax benefits increased by $2.0 million related to the federal and state research and development tax credits and transfer pricing tax position in Terns China. Accrued interest and penalties associated with uncertain tax positions as of September 30, 2020 were approximately $28,591.

Liquidity and capital resources

Uses of Cash

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

We expect to continue to incur net operating losses for at least the next several years, and we expect our research and development expenses, general and administrative expenses and capital expenditures will continue to increase. We expect our expenses and capital requirements will increase significantly in connection with our ongoing activities as we potentially:

- continue our ongoing and planned research and development of our single-agent and combination therapy candidates;
- initiate preclinical studies and clinical trials for any additional single-agent and combination therapy candidates that we may pursue in the future;
- seek to discover and develop additional single-agent and combination therapy candidates and further expand our clinical product pipeline;
- seek regulatory approvals for any single-agent and combination therapy candidates that successfully complete clinical trials;
- continue to scale up external manufacturing capacity with the aim of securing sufficient quantities to meet our capacity requirements for clinical trials and potential commercialization;
- develop, maintain, expand, protect and enforce our intellectual property portfolio, including patents, trade secrets and know-how;
- attract, hire and retain additional clinical, scientific, quality control and manufacturing management and administrative personnel;
- add clinical, operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts;
- expand our operations;
- incur additional legal, accounting, investor relations and other expenses associated with operating as a public company; and
- increase the size of our administrative function to support the growth of our business. Our net losses may fluctuate significantly from quarter to quarter and year to year, depending on the timing of our clinical trials and our expenditures on other research and development activities.

Sources of liquidity

We have principally funded our operations primarily through proceeds from the sale of shares of our convertible preferred stock and sale of our convertible promissory notes. To date, we have received gross proceeds of approximately $196.4 million from our convertible preferred stock financings and the sale of convertible promissory notes, including funding directly to Terns China, which is included in the noncontrolling interest on our consolidated balance sheets. We have devoted substantially all of our resources to research and development activities, organizing and staffing our company, raising capital, establishing and maintaining our intellectual property portfolio, conducting preclinical studies and clinical trials and providing general and administrative support for these operations.

Since our inception, we have not generated any revenue from product sales and we have incurred significant operating losses and negative cash flows from our operations. Our net losses attributable to common stockholders were $17.7 million and $68.6 million for the years ended December 31, 2018 and 2019, respectively, and $58.8 million and $30.1 million for the nine months ended September 30, 2019 and 2020, respectively. As of September 30, 2020, we had an accumulated deficit of $122.0 million, excluding $1.1 million of net losses that have been allocated to the noncontrolling interest, and $13.8 million in cash and cash equivalents. In May 2020, we received proceeds of $16.8 million from the issuance of convertible promissory notes and a bridge loan. In December 2020, we issued and sold shares of our convertible preferred stock for gross proceeds of approximately

$87.4 million (including conversion of the $15.0 million of convertible notes and effective conversion of $1.8 million in a bridge loan, plus accrued interest). We believe that the net proceeds from this offering, together with our existing cash and cash equivalents, which includes the gross proceeds of approximately $87.4 million from the issuance and sale our convertible preferred stock in December 2020 (including conversion of the $15.0 million of convertible notes and effective conversion of $1.8 million in a bridge loan, plus accrued interest) will be sufficient to fund our operating expenses and capital expenditure requirements through . We will need substantial additional funding to support our operating activities as we advance our single-agent and combination therapy candidates through clinical development, seek regulatory approval and prepare for and, if any of our single-agent and combination therapy candidates are approved, proceed to commercialization. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operating activities through a combination of equity offerings, debt financings, and license and development agreements in connection with any future collaborations. Adequate funding may not be available to us on acceptable terms, or at all. If we are unable to obtain funding, we will be forced to delay, reduce or eliminate some or all of our research and development programs, product portfolio expansion or commercialization efforts, which could adversely affect our business prospects, or we may be unable to continue operations. Although we continue to pursue these plans, there is no assurance that we will be successful in obtaining sufficient funding on terms acceptable to us to fund continuing operations, if at all.

Future funding requirements

We expect to incur significant expenses and operating losses for the foreseeable future as we advance the preclinical and clinical development of our single-agent and combination therapy candidates. We expect that our research and development and general and administrative costs will increase in connection with conducting additional preclinical studies and clinical trials for our current and future research programs and single-agent and combination therapy candidates, contracting with CMOs to support preclinical studies and clinical trials, expanding our intellectual property portfolio, and providing general and administrative support for our operations. As a result, we will need additional capital to fund our operations, which we may obtain from additional equity or debt financings, collaborations, licensing arrangements or other sources.

Our primary uses of cash are to fund our research and development activities, business planning, establishing and maintaining our intellectual property portfolio, hiring personnel, raising capital and providing general and administrative support for these operations.

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development of, continue or initiate clinical trials of, and seek marketing approval for, our single-agent and combination therapy candidates. In addition, if we obtain marketing approval for our single-agent and combination therapy candidates, we expect to incur significant commercialization expenses related to any approved products, marketing, manufacturing and distribution to the extent that such sales, marketing and distribution are not the responsibility of potential collaborators. Furthermore, following the closing of this offering, we expect to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of product discovery, preclinical studies and clinical trials;
- the scope, prioritization and number of our research and development programs;
- the costs, timing and outcome of regulatory review of our single-agent and combination therapy candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;

- the achievement of milestones or occurrence of other developments that trigger payments under any collaboration agreements we enter into;
- the extent to which we are obligated to reimburse, or entitled to reimbursement of, clinical trial costs under collaboration agreements, if any;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the extent to which we acquire or in-license other single-agent and combination therapy candidates and technologies;
- the costs of securing manufacturing arrangements for commercial production; and
- the costs of establishing or contracting for sales and marketing capabilities if we obtain regulatory approvals to market our single-agent and combination therapy candidates.

Identifying potential single-agent and combination therapy candidates and conducting preclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our single-agent and combination therapy candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of single-agent and combination therapy candidates that we do not expect to be commercially available for many years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

Until such time, if ever, as we can generate substantial revenues from product sales, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our future revenue streams, research programs or single-agent and combination therapy candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market single-agent and combination therapy candidates that we would otherwise prefer to develop and market ourselves.

Loans Payable

2020 Convertible Promissory Notes

In May 2020, we issued convertible promissory notes, or the 2020 Notes, in the aggregate amount of approximately $15.0 million. The 2020 Notes bear interest at a rate of 10.0% per annum, are unsecured, and are due and payable, including accrued interest, on May 31, 2021.

In the event of a qualified sale of equity securities resulting in gross proceeds to us of at least $22.5 million (excluding the principal amount and any interest accrued under the 2020 Notes), all principal and accrued and unpaid interest under the 2020 Notes would be automatically converted into shares issued in the next qualified equity financing in an amount equal to the outstanding principal and unpaid accrued interest divided by 90% of the price per share paid by investors in the next equity financing.

In the event of a non-qualified sale of equity securities resulting in gross proceeds to us of less than $22.5 million (excluding the principal amount and any interest accrued under the 2020 Notes), all principal and accrued and unpaid interest under the 2020 Notes can be electively, at the option of the holder, converted into shares issued in the nonqualified financing, in an amount equal to the outstanding principal and unpaid accrued interest divided by 90% of the price per share paid by investors in the applicable non-qualified financing.

In the event of a change of control, the holders of the 2020 Notes can elect, at their sole discretion, to convert the entire outstanding balance into a newly created series of preferred stock at a price equal to the outstanding principal and unpaid accrued interest divided by 120% of the Series B convertible preferred stock issue price. If the holders of the 2020 Notes do not elect to convert the 2020 Notes in the event of a change of control, the entire balance shall be immediately due and payable in full without notice or demand by the holders of the 2020 Notes, plus an additional amount equal to 50% of the outstanding principal of this note payable to the holders of the 2020 Notes together with the outstanding balance. The newly created series of preferred stock would vote together with, pari passu with, and have identical rights, privileges, preferences and restrictions as, the Series B convertible preferred stock, other than with respect to: (i) the per share liquidation preference, the per share redemption price and the conversion price for purposes of price-based anti-dilution protection, which will equal 120% multiplied by the Series B convertible preferred stock issue price; and (ii) the basis for any dividend rights, which will be based on 120% multiplied by the Series B convertible preferred stock issue price, or (iii) in the case of a conversion pursuant to the Series B convertible preferred stock agreement.

In the event no equity financing, non-qualifying equity financing or change of control occurs prior to May 31, 2021, all principal and accrued interest shall be due and payable. If we fail to repay the outstanding balance in full to the holders of the 2020 Notes on May 31, 2021, the holders of the 2020 Notes shall be entitled to elect to convert the entire balance outstanding into conversion shares equal to the outstanding principal and unpaid interest divided by the Series B convertible preferred stock issue price. The 2020 Notes may not be prepaid, in whole or in part, without the prior written consent of the holders of the 2020 Notes.

In December 2020, the 2020 Notes converted into shares of our Series C convertible preferred stock.

Bridge Loan

In May 2020, we entered into a bridge loan with Terns China, or the Bridge Loan for aggregate proceeds of $1.8 million, payable in renminbi, or RMB at an established USD/RMB exchange rate, based on an average of the previous five working days before May 8, 2020. The Bridge Loan bears interest at a rate of 10% per year, will begin to accrue on the date of drawdown, and will be computed based on the actual number of days elapsed based on a year of 365 days. The Bridge Loan holders will have the same conversion rights as the 2020 Notes holders.

In connection with the closing of the Series C convertible preferred stock financing in December 2020, entities affiliated with Lilly Asia Ventures, or LAV, agreed to effectively convert the Bridge Loan into shares of our Series C preferred stock on the same terms as the 2020 Notes. The conversion will be based on an outstanding loan balance equal to $1.9 million, consisting of (i) the principal loan amount ($1.8 million) plus (ii) accrued interest through December 29, 2020 ($0.1 million).

To help facilitate the transfer of cash from China to the United States to effectively convert the Bridge Loan, we and Terns China agreed to enter into an agreement with LAV to (i) repay the Bridge Loan, and (ii) issue shares of Series C convertible preferred stock at the initial closing to an affiliate of LAV, in exchange for a promissory note issued to us by LAV, or the LAV Affiliate Promissory Note.

On December 29, 2020, the Bridge Loan was amended to clarify that (i) interest will accrue up to and through December 29, 2020, with no additional interest accruing after December 29, 2020 and (ii) the Bridge Loan will be repaid in full by us following the requisite government approvals in China. Proceeds from the

repayment of the Bridge Loan by Terns China will be used by LAV to repay the LAV Affiliate Promissory Note in full to us.

Cash flows

The following table shows a summary of our cash flows for the periods presented:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
			(unaudited)	
	(in thousands)			
Net cash used in operating activities	$(18,071)	$(66,222)	$(56,694)	$(22,422)
Net cash (used in) provided by investing activities	(4,776)	(3,856)	(7,923)	6,740
Net cash provided by financing activities	99,761	62	85	16,875
Effect of exchange rate changes on cash, cash equivalents and restricted cash	103	(131)	(455)	236
Net increase (decrease) in cash, cash equivalents	$ 77,017	$(70,147)	$(64,987)	$ 1,429

Operating activities

Net cash used in operating activities during the year ended December 31, 2018 were primarily due to our net loss of $18.0 million and an increase in prepaid expenses and other current assets of $1.6 million primarily attributable to an increase in prepayments to CROs, partially offset by an increase in accrued expenses and other current liabilities of $0.9 million primarily attributable to program related services incurred and not paid as of December 31, 2018 and an increase in accounts payable of $0.5 million.

Net cash used in operating activities during the year ended December 31, 2019 consisted primarily of our net loss of $68.8 million and an increase in prepayments to CROs of $1.0 million and a $0.3 million increase in other assets, partially offset by an increase in accrued expenses and other current liabilities of $1.9 million primarily attributable to program related services incurred and not paid as of December 31, 2019, an increase in accounts payable of $0.7 million and stock-based compensation expense of $0.7 million.

Net cash used in operating activities during the nine months ended September 30, 2019 were primarily due to our net loss of $58.8 million and a decrease in prepaid expenses and other current assets of $1.4 million offset by an increase in accrued expenses and other current liabilities of $2.4 million primarily attributable to program related services incurred and not paid as of September 30, 2019, share-based compensation of $0.5 million and an increase in accounts payable of $0.5 million.

Net cash used in operating activities during the nine months ended September 30, 2020 consisted primarily of our net loss of $30.6 million and a decrease in accounts payable of $1.2 million, offset by an increase in accrued expenses and other current liabilities of $4.9 million primarily attributable to program related services incurred and not paid as of September 30, 2020, a change in fair value of loans payable of $2.4 million, stock-based compensation of $0.9 million and an increase in prepaid expenses and other current assets of $1.0 million primarily attributable to an increase in prepayments to CROs.

Investing activities

Net cash used in investing activities during the year ended December 31, 2018 consisted primarily of $6.9 million in purchases of short-term investments offset by $2.4 million in proceeds from the sale and maturity of marketable securities.

Net cash used in investing activities during the year ended December 31, 2019 consisted primarily of $45.1 million in purchases of marketable securities, $13.3 million in purchases of short-term investments and $0.9 million in purchases of property and equipment, offset by $39.5 million of proceeds from the sale and maturity of marketable securities and $15.9 million of proceeds from the sale and maturity of short-term investments.

Net cash used in investing activities during the nine months ended September 30, 2019 consisted primarily of $33.4 million proceeds from sale and maturities of marketable securities, $16.0 million from proceeds from sale and maturity of short-term investments, offset by $45.1 million of purchases of marketable securities and $11.7 million of purchase of short-term investments.

Net cash provided by investing activities during the nine months ended September 30, 2020 consisted primarily of $5.6 million proceeds from sale and maturity of marketable securities and $2.4 million of proceeds from the sale and maturity of short-term investments, offset by $0.7 million purchase of short-term investments and $0.5 million purchase of property and equipment.

Financing activities

Net cash provided by financing activities during the year ended December 31, 2018 consisted primarily of $73.0 million of net proceeds received from issuance of Series B convertible preferred stock, $14.6 million proceeds from issuance of Series A convertible preferred stock and a $12.0 million capital injection from a noncontrolling interest investor.

Net cash provided by financing activities during the year ended December 31, 2019 was nominal.

Net cash provided by financing activities during the nine months ended September 30, 2019 was nominal.

Net cash provided by financing activities during the nine months ended September 30, 2020 consisted primarily of $16.8 million proceeds from the issuance of loans payable.

Contractual obligations and commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2019:

	Payments Due by Period				
	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
	(in thousands)				
Operating leases	$ 857	$1,407	$1,214	$ —	$3,478
Total	$ 857	$1,407	$1,214	$ —	$3,478

In May 2020, we entered into two separate loan agreements due in May 2021 totaling an aggregate fair value of $19.3 million as described in the subsection titled “Liquidity and Capital Resources—Loans Payable.” Obligations under these loans are not included in the table above. To date, $15.0 million of those loans has been converted and $1.8 million has been effectively converted. See Note 14, Subsequent Events, to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional information.

Since inception, we have entered into assignment, license and collaboration agreements, as further described in Note 14, Assignment, License and Collaboration Agreements to our audited consolidated financial statements and Note 13, Assignment, License and Collaboration Agreements to our unaudited condensed consolidated financial statements to the consolidated financial statements. We may incur contingent payments upon our achievement of clinical, regulatory and commercial milestones, as applicable, or royalty payments that we are required to make under our agreements. Due to the uncertainty of the achievement and timing of the events

requiring payment under these agreements, the amounts to be paid by us are not fixed or determinable at this time and are excluded from the table above. In addition, in the normal course of business, we enter into contracts with clinical research organizations for preclinical studies and clinical trials and contract manufacturing organizations for the manufacture of clinical trial materials. These agreements provide for termination at the request of either party with less than one year's notice and are, therefore, cancelable contracts and not included in the table above.

Going Concern

We have evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements are issued.

If we are unable to obtain funding, we will be forced to delay, reduce or eliminate some or all of development programs which could adversely affect our business prospects, or we may be unable to continue our operations. Although management continues to pursue these plans, there is no assurance that we will be successful in obtaining sufficient funding on terms acceptable to us to fund continuing operations, if at all.

Based on its recurring losses from operations incurred since inception, expectation of continuing operating losses for the foreseeable future, and need to raise additional capital to finance our future operations, the we have concluded that there is substantial doubt about our ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Off-balance sheet arrangements

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

Critical accounting policies and significant judgments and estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, expenses and the disclosure of our contingent liabilities in our consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2, Summary of Significant Accounting Policies, to each of our audited consolidated financial statements and unaudited condensed consolidated financial statements elsewhere in this prospectus, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our audited consolidated financial statements.

Fair value of common stock

Historically, for all periods prior to this offering, the fair value of our common stock was estimated on each grant date by our board of directors. In order to determine the fair value, our board of directors considered, among other things, contemporaneous valuations of our common stock and preferred stock prepared by unrelated third-party valuation firms in accordance with the guidance provided by the American Institute of Certified Public Accountants 2013 Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the Practice Aid.

Given the absence of a public trading market of our shares of capital stock, our board of directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our shares of common stock and preferred stock, including:

- the prices at which we sold shares of convertible preferred stock and the superior rights and preferences of the convertible preferred stock relative to its common stock;
- the progress of our research and development programs, including the status and results of preclinical studies for its single-agent and combination therapy candidates;
- our stage of development and commercialization and our business strategy;
- external market conditions affecting the biotechnology industry and trends within the biotechnology industry;
- our financial position, including cash on hand, and its historical and forecasted performance and operating results;
- the lack of an active public market for our common stock and convertible preferred stock;
- the likelihood of achieving a liquidity event, such as an initial public offering, or IPO, or sale of our company in light of prevailing market conditions; and
- the analysis of IPOs and the market performance of similar companies in the biotechnology industry.

Significant changes to the key assumptions underlying the factors used could have resulted in different fair values of common stock at each valuation date.

Common stock valuation methodology

We obtained contemporaneous third-party valuations of our common stock as of the dates on which our board of directors granted equity awards. On August 1, 2017, June 24, 2018, June 24, 2019 and September 1, 2020, we used third party valuations of our common stock prepared using the income approach, which focuses on the income-producing capability of a business. The income approach estimates value based on the expectation of future cash flows that a company will generate such as cash earnings, cost savings, tax deductions, and the proceeds from disposition. These cash flows are discounted to the present using a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The selected discount rate is generally based on rates of return available from alternative investments of similar type, quality, and risk. Once the value of our company was estimated it was allocated to our common shares using the Option Pricing Method, or OPM. This approach allows for the allocation of a company's equity value among the various equity capital owners (preferred and common stockholders). The OPM uses the preferred stockholders' liquidation preferences, participation rights, dividend policy, and conversion rights to determine how proceeds from a liquidity event shall be distributed among the various ownership classes at a future date.

The probability weighted expected return method (PWERM) involves the estimation of future potential outcomes for our company, as well as values and probabilities associated with each respective potential outcome. The common stock per share value determined using this approach is ultimately based upon probability-weighted per share values resulting from the various future scenarios, which can include an IPO, merger or sale, dissolution or continued operation as a private company.

These contemporaneous third-party valuations using the OPM method resulted in valuations of our common stock of $0.14 as of August 1, 2017, $0.17 as of March 31, 2018, $0.44 as of October 20, 2018, $0.48 as of June 24, 2019 and $0.49 as of June 1, 2020. In October 2020, in connection with the preparation of our financial statements, we conducted a retrospective valuation of our common stock as of June 24, 2019 and June 1, 2020 and determined that the grant date fair value was $0.66 per share and $0.86 per share, respectively, solely for

accounting purposes. In addition, in October 2020, in connection with the preparation of our financial statements, a third-party retrospective valuation of our common stock using the PWERM as of September 1, 2020 resulted in a valuation of $1.67 per share.

The assumptions underlying these valuations represented our board of directors' best estimates at the time they were made, which involve inherent uncertainties and the application of the judgment of our board of directors. As a result, if factors or expected outcomes change and we use significantly different assumptions or estimates, our stock-based compensation expense could be materially different.

Once a public trading market for our common stock has been established in connection with the completion of this offering, it will no longer be necessary for our board of directors to estimate the fair value of our common stock in connection with our accounting for granted stock options and other such awards we may grant, as the fair value of our common stock will be determined based on the quoted market price of our common stock.

Loans Payable

We have elected to record certain loans payable at fair value on the date of issuance, with gains and losses arising from changes in fair value recognized in the statements of operations at each period end while such loans payable are outstanding. Issuance costs are recognized in the statement of operations in the period in which they are incurred. The fair value of the loans payable was determined using a probability weighted expected return model, a scenario-based valuation model in which discrete future outcome scenarios for our company are projected and discounted to present value.

Accrued research and development expenses

As part of the process of preparing our consolidated financial statements, we are required to estimate our accrued research and development expenses. This process involves reviewing purchase orders and open contracts, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the services when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met; however, some require advance payments. We make estimates of our accrued expenses as of each balance sheet date in our consolidated financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The significant estimates in our accrued research and development expenses include the costs incurred for services performed by CROs and CMOs among others, in connection with research and development activities for which we have not yet been invoiced.

We contract with CROs and CMOs to conduct clinical and manufacturing and other research and development services on our behalf. We base our expenses related to CROs and CMOs on our estimates of the services received and efforts expended pursuant to quotes and contracts with them. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our CROs or CMOs will exceed the level of services provided and result in a prepayment of the research and development expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or amount of prepaid expense accordingly. Non-refundable advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made.

Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services

performed may vary and may result in us reporting amounts that are too high or too low in any particular period. To date, there have been no material differences between our estimates of such expenses and the amounts actually incurred.

Accounting for income taxes

We record income taxes using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. Our consolidated financial statements contain certain deferred tax assets which have arisen as a result of temporary differences between book and tax accounting. ASC 740, *Accounting for Income Taxes*, requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. In establishing the valuation allowance at the end of each reporting period, we evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The amount of the deferred tax asset considered realizable is based on significant estimates of future operating performance and results, and it is reasonably possible that changes in these estimates in the near term could materially affect our financial condition and results of operations. We review and adjust our liability for unrecognized tax benefits based on our best judgment given the facts, circumstances and information available at each reporting date. To the extent that the final outcome of these tax positions is different than the amounts recorded, such differences may impact income tax expense and actual tax payments. We recognize any interest and penalties accrued related to unrecognized tax benefits in income tax expense. Actual tax payments may materially differ from estimated liabilities as a result of changes in tax laws as well as unanticipated transactions impacting related income tax balances. Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss, changes to the valuation allowance, changes to federal or state tax laws or as a result of future acquisitions or dispositions.

Emerging growth company status

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, permits an "emerging growth company" to take advantage of an extended transition to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition provided in the JOBS Act. As a result, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies and our consolidated financial statements may not be comparable to other public companies that comply with new or revised accounting pronouncements as of public company effective dates. We may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for private companies. The JOBS Act also exempts us from having to provide an auditor attestation of internal control over financial reporting under Sarbanes-Oxley Act Section 404(b).

We will cease to be an "emerging growth company" on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more, (ii) the last day of the fiscal year in which the fifth anniversary of the completion of this initial public offering occurs, (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years or (iv) the last day of the fiscal year in which we are deemed to be a large accelerated filer under the rules of the SEC, which generally is when we have more than $700.0 million in market value of our stock held by non-affiliates as of the last day of the second fiscal quarter and we have been a public company for at least 12 months and have filed one annual report.

Further, 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 exceptions from disclosure requirements, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our shares of common stock less attractive because we may rely on these exemptions. If some investors find our shares of common stock less attractive as a result, there may be a less active trading market for shares of our common stock and our share price may be more volatile.

Recently issued accounting pronouncements

See Note 2, Summary of Significant Accounting Policies to each of our audited consolidated financial statements and unaudited condensed consolidated financial statements beginning on page F-1 of this prospectus for a description of recent accounting pronouncements applicable to our consolidated financial statements.

Qualitative and quantitative disclosures about market risk

Substantially all of our operations are within the United States and the PRC, and we are exposed to market risks in the ordinary course of our business, including the effects of foreign currency fluctuations, interest rate changes and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Interest rate risk

Cash, cash equivalents, marketable securities and short-term investments are held primarily in bank and time deposits. The fair value of our cash and short-term investments would not be significantly affected by either an increase or decrease in interest rates due mainly to the short-term nature of these instruments.

Foreign currency exchange risk

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities. A substantial majority of our expense-related transactions are denominated in CNY, which is the functional currency of Terns Suzhou and Terns China. Our commercial transactions outside the PRC are primarily denominated in U.S. dollars. We do not hedge against currency risk. In the past years, CNY continued to appreciate against the U.S. dollar. To the extent that we need to convert U.S. dollars into CNY for our operations, appreciation of CNY against the U.S. dollar would reduce the CNY amount we receive from the conversion. Conversely, if we decide to convert CNY into U.S. dollars, appreciation of the U.S. dollar against the CNY would reduce the U.S. dollar amounts available to us.

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 during the periods presented.

BUSINESS

Company Overview

We are a clinical-stage biopharmaceutical company developing a portfolio of small-molecule single-agent and combination therapy candidates for the treatment of non-alcoholic steatohepatitis, or NASH, and other chronic liver diseases. Our programs are based on clinically-validated and complementary mechanisms of action to address the multiple hepatic disease processes of NASH in order to drive meaningful clinical benefits for patients. The mechanisms of action targeted by our current drug candidates are the same mechanisms of action targeted by other drug candidates that have achieved clinical proof-of-concept in NASH clinical trials and have demonstrated significant improvements on histological and non-invasive markers of the disease, though no drug has been approved for the treatment of NASH in the United States or Europe. Our most advanced program is TERN-101, a liver-distributed, non-bile acid Farnesoid X Receptor agonist that has demonstrated sustained liver FXR activation, as well as a favorable tolerability profile across multiple Phase 1 clinical trials. In our Phase 1 clinical trials, no pruritus, or itching, or increases in LDL cholesterol levels as compared to the control group were observed—unlike in Phase 1 clinical trials of other FXR agonists conducted by third parties. We initiated our Phase 2a clinical trial of TERN-101 in NASH patients (the LIFT Study) in June 2020 and expect top-line data in the third quarter of 2021. Our second clinical stage program, TERN-201, is a highly selective inhibitor of Vascular Adhesion Protein-1. We intend to start our Phase 1b clinical trial of TERN-201 in NASH patients in the first half of 2021 and expect top-line data in the first half of 2022. Our third program entering the clinic is TERN-501, a Thyroid Hormone Receptor beta agonist with high metabolic stability, enhanced liver distribution and greater selectivity for THR-b compared to other THR-b agonists in development. We intend to start our Phase 1 first-in-human clinical trial of TERN-501 in the first half of 2021 and expect top-line data in the second half of 2021. We are also pursuing two combination therapy programs to address the multiple disease processes of NASH and expect to initiate a Phase 2a clinical proof-of-concept trial evaluating a combination of TERN-101 and TERN-501 in the first half of 2022.

NASH is a severe form of non-alcoholic fatty liver disease, or NAFLD, that affects up to 15 million people in the United States, and up to 6% of the global population, for which there is currently no approved therapy in the United States or Europe. In a study published in *Hepatology* in 2016, direct healthcare costs associated with NAFLD and NASH in the United States in 2016 were estimated to be approximately $100 billion, in the absence of approved therapies. Severe progression of NASH can lead to cirrhosis, decompensated liver disease and increased risk for hepatic carcinoma and liver-related mortality. NASH is a multifaceted disease that involves three distinct pathogenic hepatic disease processes: steatosis, inflammation and fibrosis. Our pipeline of programs is intended to address each of these distinct pathogenic disease processes. We believe that with our pipeline targeting steatosis (TERN-101 and TERN-501), inflammation (TERN-101 and TERN-201) and fibrosis (TERN-101 and TERN-201) in tandem, our programs have the potential to provide greater resolution of NASH and improvement in related clinical outcomes. Furthermore, by developing combination therapies to treat NASH, we are aiming to expand the reach of NASH therapeutics through improved response rates, better tolerability and improved compliance as compared to monotherapy regimens.

Our NASH Pipeline Programs

Our wholly owned NASH pipeline includes multiple single-agent and combination therapy candidates that provide several opportunities to address the multifaceted nature of NASH and drive meaningful clinical benefits for patients. We intend to advance single-agent and combination therapy candidates to increase the potential for improved response rates in NASH patients, for whom there are no approved treatment options.

- **TERN-101** is a liver-distributed, non-bile acid Farnesoid X Receptor, or FXR, agonist that has demonstrated a differentiated tolerability profile and improved target engagement due to its sustained FXR activation in the liver but only transient FXR activation in the intestine. FXR is a nuclear receptor primarily expressed in the liver, intestine and kidneys. FXR regulates hepatic expression of various genes involved in lipid metabolism, inflammation and fibrosis. Clinical trials of other FXR agonists have demonstrated significant histological NASH improvements but have also resulted in pruritus and adverse lipid changes. These safety and tolerability issues have been observed in Phase 1 clinical trials for other FXR agonists and have generally been regarded as dose-limiting toxicities, which are suboptimal for patients and can lead to treatment discontinuation. However, in all four Phase 1 clinical trials of TERN-101, none of the 119 subjects who received TERN-101 reported pruritus, and the serum lipid profiles among TERN-101 recipients were similar to placebo recipients at all doses. We are currently evaluating TERN-101 in a 12-week, randomized, placebo-controlled Phase 2a clinical trial in approximately 100 NASH patients (the LIFT Study) from which top-line data is expected in the third quarter of 2021. We received Fast Track designation from the U.S. Food and Drug Administration, or the FDA, for TERN-101 for the treatment of NASH in October 2019. Fast Track designation does not guarantee an accelerated review by the FDA.
- **TERN-201** is a highly-selective inhibitor of Vascular Adhesion Protein-1, or VAP-1, that has demonstrated sustained target engagement in clinical trials without the off-target liabilities associated with other VAP-1 inhibitors in development. VAP-1 facilitates the deceleration, binding, and transmigration of leukocytes from the bloodstream into the liver and produces reactive oxygen species that promote liver inflammation and fibrosis. VAP-1 has been shown to be over-expressed in the livers of NASH patients in response to local lipotoxicity and liver injury. In a Phase 2a clinical trial of another developer's VAP-1 inhibitor in NASH patients, 12 weeks of administration demonstrated significant, dose-dependent improvements in NASH biomarkers, providing clinical proof of concept for VAP-1 inhibition in NASH. In our Phase 1a first-in-human (SAD/MAD) clinical trial in 61 healthy subjects, TERN-201 was shown to fully suppress plasma VAP-1 activity at all of the doses we evaluated. TERN-201 was selected for development over other discovery candidates because it is highly specific for VAP-1 inhibition and has minimal potential for off-target effects. We intend to start our Phase 1b clinical trial of TERN-201 in NASH patients in the first half of 2021 and expect top-line data in the first half of 2022. We received Fast Track designation from the

FDA for TERN-201 for the treatment of NASH in August 2020. Fast Track designation does not guarantee an accelerated review by the FDA.

- **TERN-501** is a Thyroid Hormone Receptor beta, or THR-b, agonist with high metabolic stability, enhanced liver distribution and greater selectivity for THR-b compared to other THR-b agonists in development. Agonism of THR-b increases fatty acid metabolism via mitochondrial oxidation and affects cholesterol synthesis and metabolism. As a result, THR-b stimulation has the ability to reduce hepatic steatosis and improve serum lipid parameters including LDL cholesterol and triglycerides. *In vivo* NASH studies in a rodent model have demonstrated that low-doses of TERN-501 achieved complete resolution of steatosis and reductions in serum lipids, hepatic inflammation and fibrosis. TERN-501 has high liver distribution and is 23-fold more selective for THR-b than for THR-α activation, thereby minimizing the risk of cardiotoxicity and other off-target effects associated with non-selective THR stimulation. Finally, TERN-501 has been designed to be metabolically stable and is therefore expected to have little pharmacokinetic variability and a low clinical dose, making it an attractive candidate for use in fixed-dose combinations for NASH treatment. We intend to start our Phase 1 first-in-human trial of TERN-501 in the first half of 2021 and expect top-line data in the second half of 2021.
- **GLP-1R** is our small-molecule Glucagon-Like Peptide-1 Receptor agonist program that is intended to address metabolic processes involved in the pathogenesis of NASH. Our GLP-1R program has identified several potentially suitable small-molecule scaffolds. We plan to further optimize these series of compounds and identify structures that are suitable for orally administered combination with other NASH drug candidates within our pipeline. We are currently advancing this program through lead optimization and anticipate announcing a development candidate in the second half of 2021.

Combinations:

Several prior clinical trials evaluating single-agent therapies for NASH have shown only moderate histological improvements and exhibited tolerability issues with some of these agents at high doses. We believe that developing combination therapies targeting multiple mechanistic pathways will drive improved response rates for NASH patients while mitigating potential tolerability concerns and improving compliance as compared with monotherapy regimens. We are well-positioned to develop multiple combination therapies for NASH with our extensive experience in combination drug development and the ability to leverage our pipeline of wholly owned single-agents that we believe are suitable for orally administered combination development.

We believe that therapies targeting steatosis (TERN-101 and TERN-501), inflammation (TERN-101 and TERN-201) and fibrosis (TERN-101 and TERN-201) in tandem, have the potential to provide greater resolution of NASH and improvement in related clinical outcomes. We expect to initiate a Phase 2a clinical proof-of-concept trial evaluating a combination of TERN-101 and TERN-501 in NASH patients in the first half of 2022. We are also assessing the potential utility of combinations of TERN-201 with assets inside and outside of our pipeline. Given the strength of our internal resources and capabilities, we have the flexibility to independently advance our combination therapies without the need for a co-development partner at this time.

Our History

Terns was founded in 2017 by members of our leadership team including our Chief Scientific Officer, Dr. Weidong Zhong, and our head of Research, Dr. Martijn Fenaux, with the goal of developing innovative therapies for patients with NASH and other liver diseases. Terns was named after the small sea bird that travels the farthest of any animal in the world, echoing the founders' desire to create a small and nimble company with the tenacity and perseverance to overcome challenges and adversities in drug development and achieve the ultimate goal of helping patients across the world.

We have assembled a team of industry veterans with extensive experience in drug discovery and development, especially in liver diseases. Collectively, our team is responsible for more than 20 FDA approved

products, including eleven fixed-dose-combination drugs. Our executive team has a strong track record in leading successful biotechnology companies and research and development organizations. Senthil Sundaram, our Chief Executive Officer, has over 20 years of strategy, financial and leadership experience in the life sciences industry. Dr. Erin Quirk, our President and Chief Medical Officer, brings more than 15 years of experience in the pharmaceutical industry, and has personally contributed to the development of 14 approved drug products to date, including initial marketing applications for five novel fixed-dose combinations. Dr. Weidong Zhong, our founder and Chief Scientific Officer, is an accomplished industry veteran who brings 25 years of experience in drug discovery and development and has developed over 20 small-molecule and biologic drug candidates.

Since our founding in 2016, we have raised $126.9 million in capital from leading venture capital funds, healthcare-dedicated investors, and institutional investors, including Lilly Asia Ventures, OrbiMed Advisors, Vivo Capital and Decheng Capital.

Our Strategy

Our goal is to develop and commercialize differentiated monotherapies and combination therapies for patients with NASH and other chronic liver diseases. Key elements of our strategy to achieve this goal include:

- **Develop improved drug candidates targeting clinically-validated mechanisms of action.** We are developing a portfolio of small molecule drug candidates targeting clinically-validated mechanisms of action for the treatment of NASH. The mechanisms of action targeted by our current drug candidates are the same mechanisms of action targeted by other drug candidates that have achieved clinical proof-of-concept in NASH clinical trials and have demonstrated significant improvements on histological and non-invasive markers of the disease, though no drug has been approved for the treatment of NASH in the United States or Europe. However, these clinical trials have also highlighted an opportunity for us to meaningfully improve the efficacy, safety and tolerability of therapies utilizing these mechanisms. Based on this premise, we are advancing multiple drug candidates we believe have the potential to deliver better clinical outcomes in a high proportion of NASH patients as either single-agent or combination therapies.
- **Leverage non-invasive biomarkers to rapidly advance our single-agent drug candidates through clinical proof-of-concept.** We are advancing our single-agent drug candidates through clinical proof-of-concept trials on an expedited basis by using relevant non-invasive biomarkers in our Phase 1 and Phase 2 clinical trials to efficiently confirm and benchmark target engagement or efficacy without the need for liver biopsies. We believe this approach enables us to accelerate enrollment in our clinical trials and achieve significantly shorter development timelines.
- **Advance our portfolio of combination therapy candidates for the treatment of NASH.** In addition to developing our single-agent drug candidates, we are evaluating and developing fixed-dose combination therapies to address the multiple disease processes of NASH. We believe developing combination therapies targeting multiple mechanistic pathways will drive improved response rates for NASH patients while mitigating potential tolerability concerns and improving compliance as compared with monotherapy regimens. The outcomes of our monotherapy biomarker-based clinical trials will further inform our decision to pursue the utility of our drug candidates as monotherapies or in fixed-dose-combinations that we believe have synergistic therapeutic effect and well-balanced safety profiles. We have identified and are advancing our first combination therapy candidate for NASH, involving a combination of TERN-101 and TERN-501, and expect to initiate a Phase 2a clinical proof-of-concept trial in the first half of 2022. We are also evaluating the potential to co-administer TERN-201, a potent anti-inflammatory and anti-fibrotic agent, in combination with a metabolically active NASH treatment.
- **Advance our earlier stage program and expand applications for our existing drug candidates.** We have identified a series of GLP-1R small molecule agonists with the potential to address metabolic processes involved in the pathogenesis of NASH. Our GLP-1R program is designed to enable oral administration, a limitation of existing GLP-1 agonists, for widespread use in NASH patients. We are

currently advancing this program through lead optimization and anticipate announcing a development candidate in the second half of 2021. Beyond NASH, our goal is to maximize the commercial potential of our existing drug candidates by exploring additional indications supported by their underlying biology and mechanism. For example, we believe our NASH drug candidates may also have utility in other chronic liver diseases such as autoimmune hepatitis, primary biliary cholangitis and primary sclerosing cholangitis. We will maintain a focused and disciplined strategy in evaluating potential follow-on indications that may merit further advancement.

- **Independently develop and commercialize our drug candidates in indications and geographies where we believe we can maximize the value and benefit to patients.** We have a disciplined strategy to maximize the value of our pipeline by retaining development and commercialization rights to those drug candidates, indications and geographies that we believe we can ultimately commercialize successfully on our own if they are approved. We plan to collaborate on drug candidates that we believe have promising utility in disease areas, patient populations or geographies that are better served by the resources or specific expertise of other biopharmaceutical companies.

Background on NASH

NASH is a severe form of NAFLD, a common liver disease characterized by the accumulation of excess fat in the liver (steatosis). When hepatic steatosis results in liver inflammation and, in many cases, fibrosis, it results in NASH, a multifaceted disease that involves three distinct pathogenic hepatic disease processes: steatosis, inflammation and fibrosis. Severe progression of NASH leads to cirrhosis and decompensated liver disease, with the associated risks for hepatocellular carcinoma and liver-related death. NASH was recently identified as the second leading etiologic indication for liver transplantation in the United States, and it is projected to become the leading cause of liver transplantation in the coming years.

NAFLD is the most common cause of chronic liver disease in the United States, affecting 80 to 100 million individuals. Among persons with NAFLD, approximately 20% will progress to NASH, which is currently estimated to affect 15 million adults in the United States. Progression of liver fibrosis ultimately leads to cirrhosis in an estimated 20% of patients with NASH. With an aging population and the markedly increasing rates of obesity, diabetes, and dyslipidemia/metabolic syndrome worldwide, NAFLD and NASH have increased greatly in prevalence, posing a significant healthcare challenge. In a study published in *Hepatology* in 2016, direct healthcare costs associated with NAFLD and NASH in the United States in 2016 were estimated to be approximately $100 billion, in the absence of approved therapies.

Etiology of NASH

NAFLD and NASH are classified as progressive metabolic diseases, often correlated with chronic excess caloric intake, obesity and metabolic syndrome. Physiologically, hepatocytes in the liver can act as a repository for excess energy stored by the body. As humans consume disproportionate amounts of calories relative to those burned on a consistent basis, the body becomes overweight, and organs, including the liver, become burdened by fatty tissue. With the liver acting as the hub for excess energy and energy conversion, an imbalance develops with more delivery of fats and triglycerides to the liver, an increase in hepatic fatty acid synthesis, and impaired hepatic fatty acid oxidation and removal of liver fat, resulting in NAFLD.

Within the steatotic liver, fat deposits can create lipotoxic effects to the surrounding liver tissue, resulting in hepatocyte stress and injury and activating inflammatory Kupffer cells. Local increases in reactive oxygenation species can induce hepatocytes to undergo cell death and create an inflammatory response within the organ. VAP-1 is over expressed in affected areas of the liver, serving as an attachment point for inflammatory leukocytes and triggering their recruitment from the bloodstream into the liver. These leukocytes are stimulated by local lipotoxic effects and the presence of reactive oxygenation species to produce cytokines, further exacerbating local inflammatory cascades and activating resident Kupffer cells, thereby exacerbating local inflammation.

Inflammatory cascades in the liver activate hepatic stellate cells to excrete extracellular matrix resulting in liver fibrosis. Over time, fibrosis progresses, increasingly replacing diseased and normal liver tissue with scar tissue. Eventually, most of the liver is replaced by fibrotic tissue, which histologically is categorized as cirrhosis. While some cirrhotic patients have enough functional liver tissue to maintain hepatic activity, over time, the liver fails, resulting in decompensated liver disease and the need for liver transplantation to avoid liver related death. Furthermore, cirrhosis is a key risk factor for hepatocellular carcinoma.

NASH is currently diagnosed by histological findings on liver biopsy. In clinical trials, recommended scoring systems assess (i) liver fibrosis and (ii) steatosis and inflammation using the NAFLD Activity Score, or NAS, a composite score that grades the degree of three non-fibrotic histologic features of NASH: steatosis, hepatocyte ballooning, and lobular inflammation. Efficacious responses to treatment in NASH clinical trials are usually considered to be either an improvement in fibrosis score without worsening of the NAS, or an improvement of the NAS without worsening of fibrosis.

Increasingly, non-invasive blood and imaging tests are being used in clinical practice to diagnose NASH. Vibration controlled transient elastography combined with blood tests (serum chemistries, hematological parameters and other biomarkers) have shown good accuracy in diagnosing both steatosis and the degree of liver inflammation. As data from these non-invasive assessments continue to accumulate—for initial diagnosis of NASH, monitoring of disease progression over time, and monitoring response to treatment—these approaches may replace liver biopsy, both in clinical practice and clinical trials. In its December 2018 draft NASH guidance, the FDA encouraged sponsors to include non-invasive biomarkers in clinical studies of experimental NASH treatments in order to accelerate development and supplant liver biopsy.

Treatment of NASH

There currently are no FDA-approved therapies for the treatment of NASH, and available treatment options are limited to control of metabolic dysfunction, including weight loss, as well as lifestyle modifications such as exercise and dietary changes. However, many patients are unable to achieve or maintain significant weight loss or comply long-term with the dietary and lifestyle changes required to reverse NASH. In order to optimally treat NASH and reduce the risk of liver cancer and liver-related mortality, the three distinct disease processes may each need to be addressed–steatosis, inflammation and fibrosis. Single agents focusing on specific mechanisms contributing to one of these three processes, each involving multiple pathways, have demonstrated only modest results to date.

The following table summarizes some of the treatment approaches for NASH currently in clinical development, together with limitations observed and Terns' differentiated approach. Among the small-molecule programs with validated mechanisms, we believe FXR agonism, VAP-1 inhibition and THR-b agonism have great potential, not only as targets for single-agent therapy, but also as key components in combination therapies.

Treatment Approaches in NASH	Clinical Trial Findings(1)	Observed Limitations(1)	TERNS Differentiation
FXR agonists	Improvements in liver fibrosis and markers of liver function.	Pruritus and adverse lipid effects	TERN-101: high liver distribution, minimizing potential for pruritus and adverse lipid changes
VAP-1 inhibitors	Clinical PoC in NASH with significant dose dependent improvements in key markers of liver injury, inflammation and cell death	Off-target mono-amine oxidase, or MAO, inhibition can result in significant drug-drug interactions	TERN-201: highly specific for VAP-1 inhibition; minimal potential to inhibit MAO-A or MAO-B
THR-b agonists	Significant reductions in liver fat and in lipid levels in serum	Low THR-b selectivity can cause cardiac and other safety issues Variable PK and patient-specific dose adjustments	TERN-501: superior selectivity for THR-b over THR-α; enhanced metabolic stability
GLP-1 agonists	Activation of the GLP-1 pathway has shown to be effective in driving NASH resolution	Requires frequent injections which may limit potential for widespread use Tolerability concerns	Potential for once-daily oral administration and coformulation with other oral NASH therapies
FGF agonists	Histological NASH and fibrosis improvements in Phase 2	Requires frequent injections which may limit potential for widespread use Tolerability concerns	N/A
De Novo Lipogenesis Inhibitors (ACC, FASN, DGAT2)	NASH biomarker improvement in Phase 2	Serum triglyceride elevations Skin/hair toxicity	N/A

(1) Represents clinical trial findings from clinical trials conducted by other sponsors.

Our Programs

We are developing a portfolio of small molecules that address the multiple hepatic disease processes of NASH in order to drive meaningful clinical benefits. Our most advanced program, TERN-101, is a liver-distributed, non-bile acid FXR agonist that has demonstrated sustained liver FXR activation, as well as a favorable tolerability profile across multiple Phase 1 clinical trials. We initiated our Phase 2a clinical trial of TERN-101 in NASH patients in June 2020 and expect top-line data in the third quarter of 2021. Our second clinical stage program, TERN-201, is a highly selective inhibitor of VAP-1, which directly addresses hepatic inflammation. We intend to start our Phase 1b clinical trial of TERN-201 in NASH patients in the first half of 2021 and expect top-line data in the first half of 2022. Our third program entering the clinic is TERN-501, a THR-b agonist with high metabolic stability, enhanced liver distribution and greater selectivity for THR-b compared to other THR-b agonists in development. We intend to start our Phase 1 first-in-human clinical trial of TERN-501 in the first half of 2021 and expect top-line data in the second half of 2021. We are also pursuing two combination therapy programs to address the multiple disease processes of NASH and expect to initiate a Phase 2a clinical proof-of-concept trial evaluating a combination of TERN-101 and TERN-501 in the first half of 2022. We believe developing combination therapies targeting multiple mechanistic pathways will drive improved response rates across the population of NASH patients while mitigating potential tolerability concerns associated with other drugs in development.

TERN-101—a liver-distributed FXR agonist

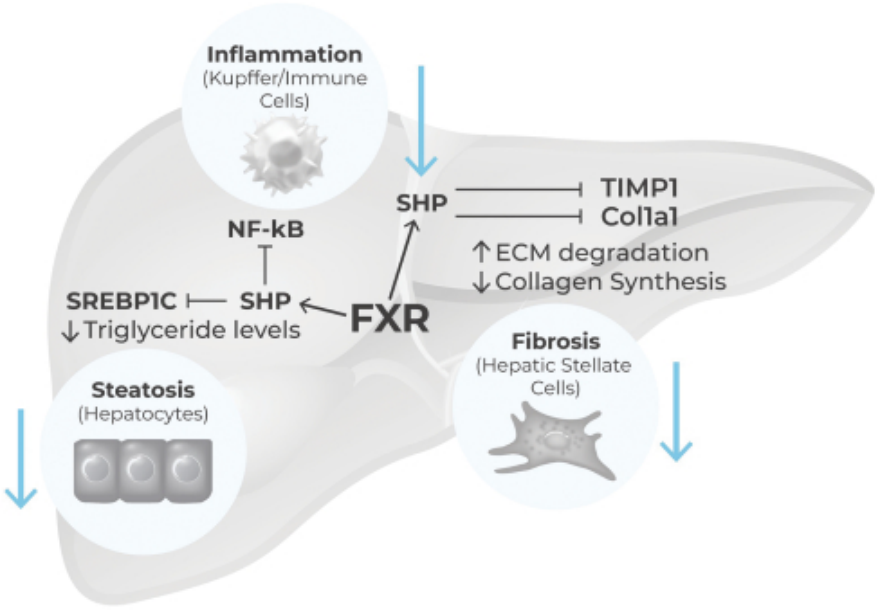
Drug candidate summary

TERN-101 is a liver-distributed, non-bile acid FXR agonist that has demonstrated a differentiated tolerability profile and improved target engagement; likely due to its sustained FXR activation in the liver but only transient FXR activation in the intestine. FXR is a nuclear receptor primarily expressed in the liver, intestine and kidneys. FXR regulates hepatic expression of various genes involved in lipid metabolism, inflammation and fibrosis. Clinical studies of other FXR agonists have demonstrated significant histological NASH improvements but have also resulted in pruritus and adverse lipid changes. These tolerability issues have generally been observed in Phase 1 clinical trials of other FXR agonists in development and have been regarded as dose-limiting toxicities, which are suboptimal for patients and can lead to treatment discontinuation. However, in all four Phase 1 clinical trials of TERN-101, none of the 119 subjects who received TERN-101 reported pruritus, and the serum lipid profiles among TERN-101 recipients were similar to placebo recipients even at high doses. We are currently evaluating TERN-101 in a Phase 2a, 12-week, randomized, placebo-controlled clinical trial in approximately 100 NASH patients (the LIFT Study) from which top-line data is expected in the third quarter of 2021. Our investigational new drug applicaiton, or IND, for TERN-101 went into effect in May 2019. We received Fast Track designation from the FDA for TERN-101 for the treatment of NASH in October 2019. Fast Track designation does not guarantee an accelerated review by the FDA.

FXR agonists may address NASH in several different liver cell types

FXR is a nuclear receptor primarily expressed in the liver, intestine and kidneys. FXR regulates hepatic expression of various genes involved in lipid metabolism, inflammation and fibrosis. In the hepatocyte, FXR activation induces small heterodimer partner, or SHP, a key metabolic regulator. The upregulation of SHP by FXR reduces the expression of sterol-regulatory element-binding protein 1C, or SREBP1C, a master regulator of triglyceride synthesis. FXR-mediated inhibition of SREBP1C and subsequent reduction in triglyceride levels could result in reduced hepatic steatosis. FXR also plays a role in modulating hepatic inflammation. Activation of FXR in the hepatocyte represses nuclear factor-kB, or NF-kB, via induction of SHP, thereby reducing hepatic inflammation. FXR activation is also directly associated with reduction in hepatic inflammation in Kupffer cells. In hepatic stellate cells, FXR activation reduces fibrogenic markers such collagen type 1 alpha 1, or Col1a1, and tissue inhibitor of metalloproteinase 1, or TIMP1. Inhibition of Col1a1 and TIMP1 reduces collagen synthesis and increases the degradation of the extracellular matrix, or ECM, thereby reducing liver fibrosis.

A liver-distributed FXR agonist has the potential to address NASH by acting on the three key disease processes and cell types



Clinical validation of FXR agonists

FXR agonism has been investigated in large-scale clinical trials and has shown clinically relevant improvements in NASH. In these clinical trials, FXR agonists have shown significant histological NASH improvements in fibrosis, as well as improvement in markers of liver function.

Limitations of other FXR agonists: pruritus and adverse lipid changes

Clinical trials of other FXR agonists have demonstrated significant histological NASH improvements but have also resulted in pruritus and adverse lipid changes. These tolerability issues have been observed in early Phase 1 clinical trials for other FXR agonists as shown in the table below and have been regarded as dose-limiting toxicities, which are suboptimal for patients and can lead to treatment discontinuation. However, in all four Phase 1 clinical trials of TERN-101, none of the 119 subjects who received TERN-101 reported pruritus, and the serum lipid profiles among TERN-101 recipients were similar to placebo recipients even at high doses. An FXR agonist that can demonstrate improved liver health with minimal adverse effects would have great potential benefits for NASH patients.

FXR agonists: comparison of Phase 1 clinical trial results

Drug candidate	Developer	Dosing duration	Observations in Phase 1 clinical trials(1)	
			Pruritus	Lipid profile change
TERN-101	Terns Pharma	14d	None	None
MET409	Metacrine	14d	Yes	Yes
EDP-305	Enanta	14d	Yes	Yes
EYP001	Enyo	15d	Yes	Not disclosed
Obeticholic acid	Intercept	14d	Yes	Yes

(1) Includes findings from trials conducted by other sponsors. Denotes changes as compared to control group.

We believe the liabilities from the other FXR agonists may be due to their activation of FXR outside the liver, particularly in the intestine. FXR activation in intestinal enterocytes results in the secretion of Fibroblast Growth Factor 19, or FGF19, which has been associated with increased serum low-density lipoprotein, or LDL, cholesterol in published studies. Pruritus has been observed in clinical studies of other FXR agonists known to activate intestinal FXR. On the other hand, the use of bile acid sequestrants (such as cholestyramine or colesevelam) or ileal bile acid transporter, or IBAT, inhibitors has been demonstrated in several clinical studies to reduce plasma LDL, cholesterol in patients with hyperlipidemia and also to mitigate pruritus in patients with cholestatic liver disease, potentially through prevention of FXR activation. Therefore, we believe that an FXR agonist with sustained activity in the liver, but only minimal or transient intestinal or other extrahepatic FXR activity, would likely not be associated with pruritus or adverse lipid changes.

Our solution: TERN-101, a liver-distributed FXR agonist

We believe TERN-101 has been well-tolerated in completed clinical trials to date because of its high liver distribution, thereby minimizing activation of intestinal pathways that may be associated with pruritus and adverse lipid changes. The figure on the left below demonstrates in a preclinical model that administration of TERN-101 results in significantly higher distribution to the liver compared to other FXR agonists. The figure on the right below demonstrates that administration of TERN-101 is also associated with much higher activation of liver-related FXR gene expression, in contrast to intestinally-directed FXR agonists that have greater FXR gene activation in the intestine than in the liver. Studies have demonstrated that there is minimal overlap between liver and intestine FXR binding sites, indicating potentially a high degree of tissue-specific FXR function.

TERN-101 preferentially distributes to liver and induces liver-specific genes

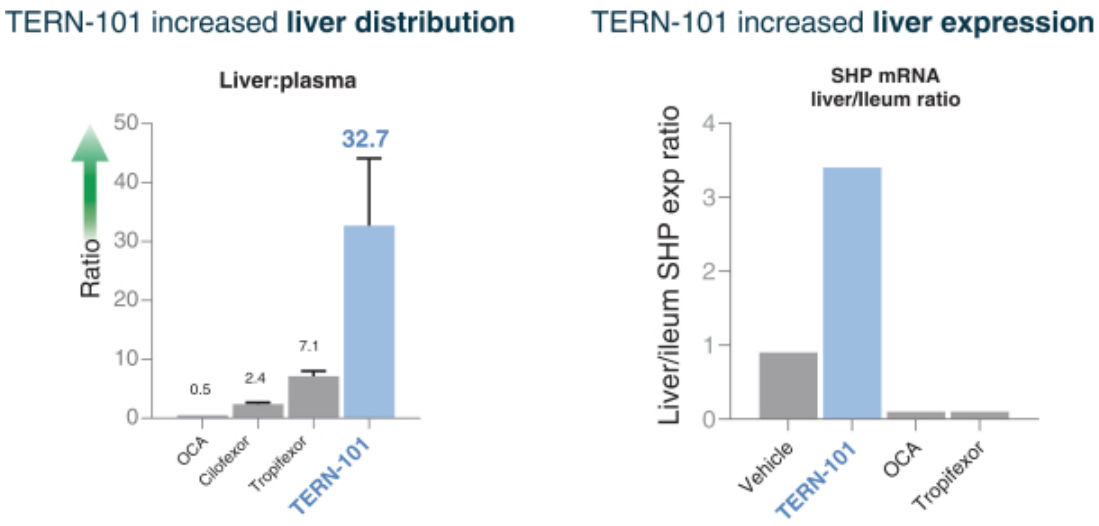


***Figure**: The information from the figure above (left) represents preclinical data derived from a rat model conducted by Terns (2 mg/kg of TERN-101, cilofexor or tropifexor); and data disclosed in regulatory filings for the 30 mg/kg of OCA. The information from the figure above (right) represents preclinical data derived from a mouse study model of SHP gene expression conducted by Terns after 7 days of dosing with TERN-101 (10 mg/kg), OCA (30 mg/kg) and tropifexor (0.3 mg/kg). SHP functions to inhibit bile acid synthesis.*

TERN-101 administration demonstrates sustained FXR activation in the liver

The liver-distributed profile of TERN-101 has been demonstrated in a Phase 1 clinical trial of the pharmacodynamics of TERN-101 in 36 human subjects. Sustained liver FXR activation in human subjects was demonstrated by dose-dependent decreases in 7 alpha-hydroxy-4-cholesten-3-one, or C4, concentrations that are among the most potent demonstrated with an FXR agonist to date. A decrease in C4 is a surrogate marker for FXR activation in the liver. In contrast to sustained liver FXR activation, repeated administration of TERN-101 over seven days resulted in only a transient increase of FGF19, suggesting transient intestinal FXR activation while the drug is being absorbed. Data from other FXR agonists in development demonstrate a much more sustained increase in FGF19 that persists through repeat administrations, which may indicate that sustained intestinal FXR activation is associated with their underlying tolerability issues.

TERN-101 induces sustained suppression of C4 but only transient increases of FGF19

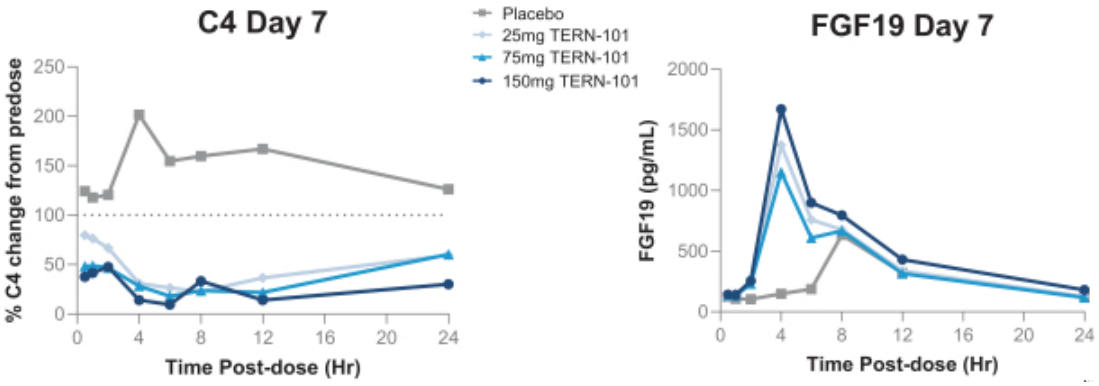


Figure: *Change in C4 relative to baseline (Day 1) on Day 7. FGF19 figure represents the mean FGF19 plasma concentration on Day 7.*

TERN-101 administration is not associated with liabilities of other FXR agonists

Across four completed Phase 1 clinical trials in 136 subjects, TERN-101 was administered to 119 subjects and was generally well-tolerated with no confirmed dose-related tolerability signals. Adverse events, or AEs, tended to be mild to moderate, with no dose-related increases in AEs. There was no pruritus among the 119 subjects treated with TERN-101, and lipid profiles in the TERN-101 dose groups were similar to placebo across each trial, including single administrations of TERN-101 at dose level of 600mg and repeated administrations at dose levels of 400mg for 14 days. The chart below plots serum LDL cholesterol concentrations from a Phase 1 pharmacodynamic clinical trial in 36 subjects and demonstrates that the lipid profiles are similar for subjects receiving TERN-101 or placebo. In one Phase 1 clinical trial, one subject receiving placebo and two subjects receiving 400 mg TERN-101 experienced elevations in alanine aminotransferase, or ALT, and aspartate transaminase, or AST, up to approximately five times the upper limit of normal. One of the TERN-101 recipients experienced transient transaminase elevations that decreased upon continued dosing through the duration of the trial, while the other TERN-101 recipient discontinued treatment. Transaminase elevations did not exceed 5.2x the upper limit of normal in any subject who received TERN-101, and none of these subjects had concomitant elevations in bilirubin. Transaminases for each of these subjects decreased to baseline at the end of the clinical trial. No transaminase elevations >1.5x upper limit of normal were observed in other TERN-101 clinical trials, including the single ascending dose trial (including doses of 600 mg) and a subsequent repeat dose trial (25 mg, 75 mg and 150 mg doses). Therefore, across the four completed Phase 1 clinical trials for TERN-101 it was concluded that the changes from baseline in ALT and AST were similar between TERN-101 and placebo recipients and the transaminase elevations that occurred in one Phase 1 clinical trial were not clinically relevant. ALT and AST elevations did not recur in subsequent trials.

TERN-101 shows comparable LDL changes to placebo in 7-day Pharmacokinetics/Pharmacodynamics Phase 1 trial

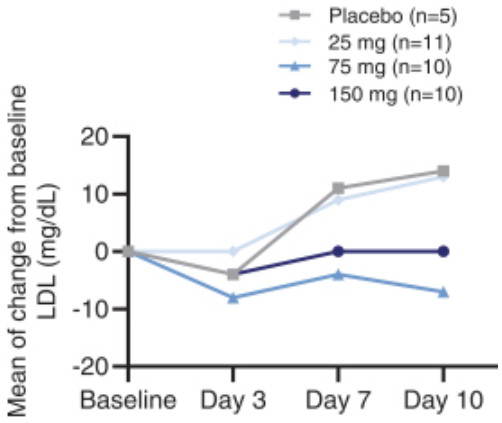


***Figure**: Changes from baseline (Day -1) in mean LDL.*

We believe the favorable Phase 1 tolerability profile stems from the fact that TERN-101 is liver-distributed, with limited systemic and intestinal FXR activation that may be associated with the pruritus and adverse lipid changes seen with other FXR agonists. The solid line in the chart below shows the average plasma level on Day 7 of TERN-101 in human subjects administered 150 mg TERN-101 capsules. The dotted line represents projected TERN-101 liver concentration, which was calculated based on the TERN-101 rat tissue distribution study results. Plasma concentrations at this dose generally do not exceed the TERN-101 EC_{50} throughout the 24 hour dosing period, thereby avoiding the effects of FXR activation outside of the liver, which we believe explains the lower incidence of off-target effects typically associated with other FXR agonists in development. However, liver concentrations of TERN-101 are projected to be much higher than the TERN-101 EC_{50} throughout the dosing period, which we believe accounts for the potent C4 decreases observed with TERN-101. Together, these data suggest TERN-101 activity will mainly occur in the liver.

TERN-101 is projected to achieve sustained liver activation

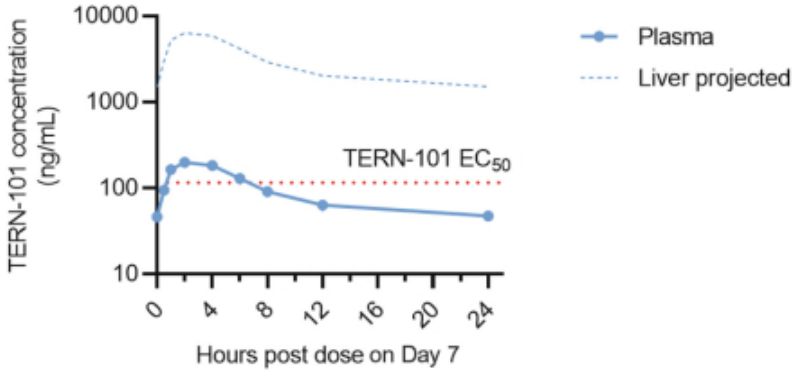
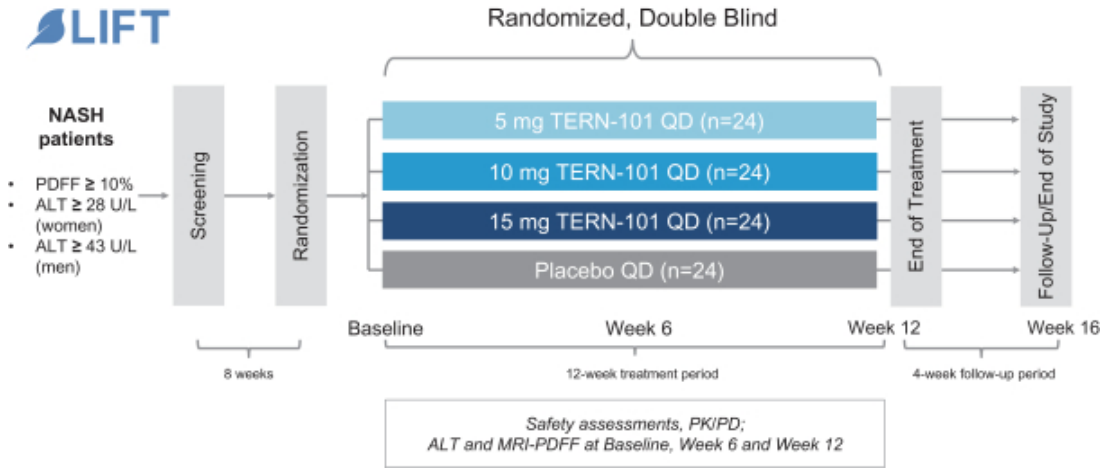


***Figure**: TERN-101 150 mg capsule formulation mean plasma concentration and projected liver concentration over time on Day 7.*

Ongoing Phase 2a Clinical Trial of TERN-101 (LIFT Study) in NASH patients for 12 weeks

TERN-101 is currently being evaluated in the LIFT Study, a Phase 2a, 12-week, randomized, placebo-controlled clinical trial in approximately 100 patients with phenotypic or biopsy-diagnosed NASH, identified either by prior biopsy or clinical diagnosis (liver stiffness measured by transient elastography of 7.6—25 kPa and controlled attenuation parameter (CAP) > 300). We initiated this clinical trial in June 2020, and top-line data are expected in the third quarter of 2021. Clinical trial participants receive once-daily oral administration of placebo or TERN-101 tablet doses of 5 mg, 10 mg or 15 mg for 12 weeks. TERN-101 plasma concentrations resulting from these tablet doses are expected to fall within a comparable range as the plasma concentrations observed in Phase 1 studies of capsule formulation doses of 25 mg to 150 mg. The primary endpoint is the incidence of adverse events. Key secondary and exploratory outcome measures are percent change from baseline in ALT and change from baseline in hepatic fat fraction assessed by magnetic resonance imaging derived proton density fat fraction, or MRI-PDFF, key biomarkers that have been associated with histologic improvements in NASH patients.

TERN-101 Phase 2a LIFT trial design



TERN-201 – a highly selective VAP-1 inhibitor

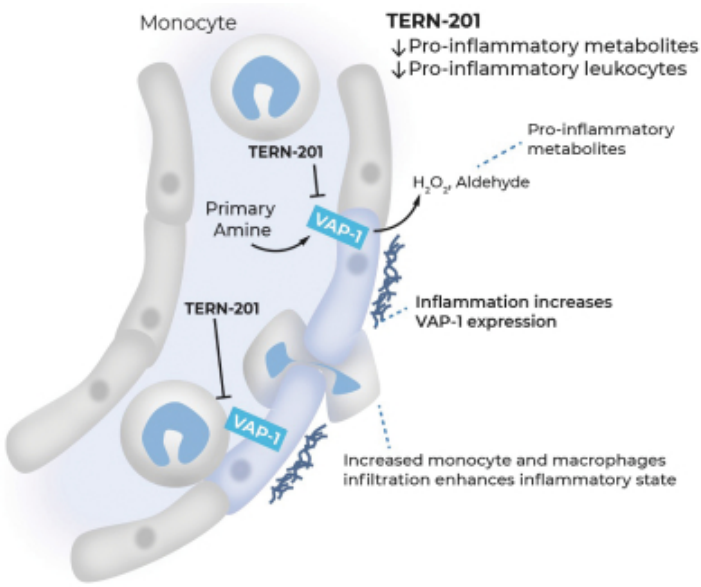
Drug candidate summary

TERN-201 is a highly selective, irreversible, covalent inhibitor of VAP-1. In our Phase 1a first-in-human (SAD/MAD) clinical trial across 61 healthy subjects, TERN-201 was shown to fully suppress plasma VAP-1 activity at all of the doses that we evaluated and VAP-1 suppression was evident up to days after a single dose. In preclinical studies, TERN-201 reduced fibrosis in a model of liver injury in a dose-dependent manner, with inflammation and fibrosis significantly reduced after treatment. TERN-201 exhibits high selectivity for VAP-1 and enhanced liver distribution. Importantly, TERN-201 does not inhibit human MAO-A and MAO-B, thereby avoiding risks associated with MAO inhibition. We believe the sustained activity of TERN-201, with its VAP-1 selectivity and anticipated low therapeutic dose, make it suitable for coadministration with therapies directed at steatosis and other metabolic processes involved in NASH. We are currently preparing to initiate a Phase 1b clinical trial of TERN-201 in NASH patients in the first half of 2021 and expect top-line data in the first half of 2022. Our IND for TERN-201 went into effect in January 2019. We received Fast Track designation from the FDA for TERN-201 for the treatment of NASH in August 2020. Fast Track designation does not guarantee an accelerated review by the FDA.

Overview of VAP-1 biology in NASH

As liver damage accumulates in NAFLD and NASH patients, VAP-1 becomes increasingly expressed on the endothelium of blood vessels within the liver. Through its function as a leukocyte adhesion molecule, VAP-1 facilitates the deceleration, binding and transmigration of leukocytes from the blood stream into the liver, and recruits co-functioning proteins to aid in the transmigration process. These leukocytes respond to local liver tissue damage and multiple stimuli, reproducing and releasing cytokines which cause progressive liver inflammation. In addition, VAP-1 acts as an enzyme to break down short-chain primary amines in the blood and produce reactive oxygen species, or ROS, aldehyde, ammonia and hydrogen peroxide in the liver, which in turn cause inflammation, hepatic oxidative stress and tissue damage. Together, the cytokine cascades resulting from white blood cell liver penetration and local ROS-mediated oxidative stress and tissue damage stimulate fibrosis, the synthesis of ECM by activating hepatic stellate cells. The following graphic illustrates this process.

VAP-1 increases oxidative stress, recruits white blood cells to the liver, increases inflammation and fibrosis



Clinical validation of VAP-1 inhibition in NASH

VAP-1 inhibition has the potential to address the inflammatory process in NASH patients. Preclinical data have demonstrated that VAP-1 inhibition improves liver histology and serum biomarkers. VAP-1 has been shown to be over-expressed in the livers of NASH patients in response to local lipotoxicity and liver injury. Increased levels of soluble VAP-1 in the plasma is also associated with the presence of NASH, and with increasing liver fibrosis. In a Phase 2a clinical trial, administration of a different VAP-1 inhibitor over 12 weeks in NASH patients demonstrated significant, dose dependent decreases from baseline in ALT, AST, GGT and CK-18, markers of liver injury and inflammation and cell death compared to placebo. Improvements in these markers provide clinical proof-of-concept for VAP-1 inhibition as a treatment approach in NASH.

Limitations of other VAP-1 inhibitors in development

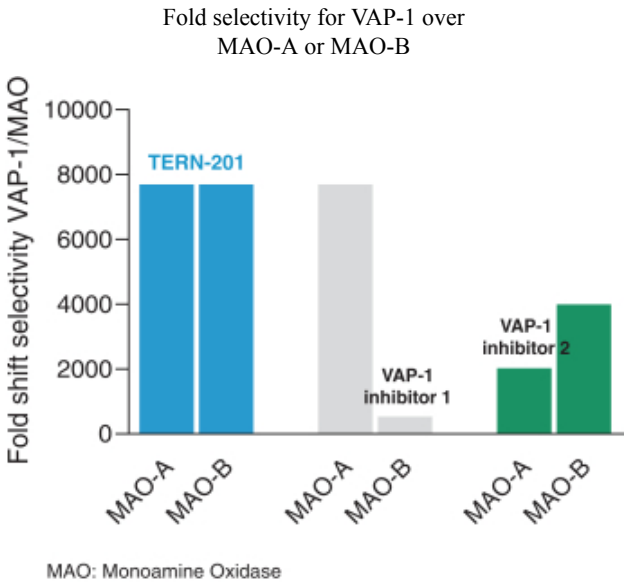
A clinical trial of another VAP-1 inhibitor in NASH patients demonstrated improvements in markers of liver injury, inflammation and cell death, including significant reductions in ALT. However, other VAP-1 inhibitors currently in development for NASH are associated MAO inhibition due to their lack of specificity for

binding VAP-1. Drugs that inhibit MAO create the risk of life-threatening serotonin syndrome and hypertensive crisis when administered with commonly prescribed serotonergic drugs and with tyramine-containing foods. Therefore, we believe a VAP-1 inhibitor with improved selectivity for VAP-1 inhibition that lacks the potential to inhibit MAO-A or MAO-B could provide meaningful clinical benefit to NASH patients in reducing inflammation and liver fibrosis without risks related to MAO inhibition.

Our solution for VAP-1 inhibition: TERN-201

TERN-201 was selected over other discovery candidates because it is highly specific for VAP-1 inhibition and has minimal potential to inhibit MAO-A or MAO-B at clinically relevant concentrations. Preclinical studies showed that TERN-201 was greater than 7000-fold more selective for VAP-1 than for MAO-A or MAO-B. In clinical studies, TERN-201 has shown strong VAP-1 inhibition at all doses studied, and plasma TERN-201 concentrations, or Cmax, after 7 days of dosing were more than 300 times lower than the IC50 concentrations for MAO-A and MAO–B inhibition at the highest dose level studied. The graph below illustrates the selectivity of TERN-201 for VAP-1 inhibition over MAO inhibition shown in preclinical studies.

TERN-201 shows no apparent MAO inhibition



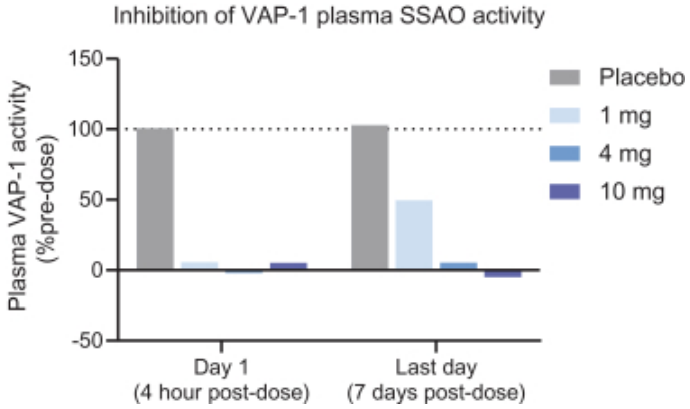
Clinical development of TERN-201

We have completed a first-in-human, double-blind, randomized, placebo-controlled, Phase 1 clinical trial (SAD/MAD) of TERN-201 which assessed the safety, pharmacokinetics, or PK, and pharmacodynamics, or PD, in 61 healthy subjects. Single oral TERN-201 doses of 1, 3, 6 or 10 mg and repeat doses of 1 mg and 4 mg (once-daily for 7 days) and 10 mg (once-daily for 14 days) were administered. In the trial, TERN-201 target engagement was assessed by measuring decreases from baseline in the semi-carbazide sensitive amine oxidase, or SSAO, activity which results from VAP-1 enzymatic activity, and by changes from baseline in methylamine, a biomarker that increases in concentration in the blood as its metabolism by VAP-1 is inhibited.

TERN-201 demonstrated robust and sustained VAP-1 target engagement. Near complete inhibition of VAP-1 plasma SSAO activity was observed at four hours post-dose on Day One in all single and multiple dose

groups. There was evidence of dose dependent sustained decreases in VAP-1 plasma SSAO activity for one week after completion of single and repeat dosing due to covalent binding of TERN-201 to VAP-1 and the rate of regeneration of VAP-1 over several days after completion of TERN-201 dosing. Near complete suppression of VAP-1 plasma SSAO activity persisted to 7 days after completion of a single TERN-201 dose of 10 mg and repeat doses of 4 mg and 10 mg. Changes from baseline in methylamine were also dose dependent, with the greatest increases from baseline observed in the TERN-201 10 mg dose group in both single and multiple dose cohorts.

TERN-201 demonstrates near complete inhibition of VAP-1 plasma SSAO activity in single ascending dose Phase 1 trial



In the Phase 1 SAD/MAD clinical trial, TERN-201 administered for up to 14 days was generally well-tolerated with no tolerability signals based on AEs, safety laboratory testing and electrocardiogram monitoring. Clinical and preclinical studies indicate that TERN-201 is not extensively metabolized and is unlikely to inhibit or induce major drug metabolism pathways or MAOs; therefore, it has a low potential for drug-drug interactions. This profile as well as its pharmaceutical properties and anticipated low therapeutic dose make it a very attractive candidate for co-formulation with other drugs as part of a single-tablet, fixed-dose combination treatment for NASH.

Preclinical data for TERN-201

In preclinical studies, TERN-201 demonstrated dose-dependent beneficial effects on liver histology and serum biomarkers comparable to other VAP-1 inhibitors in development. TERN-201 exhibited dose-dependent inhibition of rat hepatic stellate cells activation and reduction of fibrosis, inflammation, and ballooning in an *in vivo* rodent model of liver inflammation and fibrosis. TERN-201 also reduced inflammation and markers of fibrosis, leukocyte infiltration, and hepatic stellate cell activation in an *in vivo* NASH rodent model. Histological improvements were noted in inflammation and fibrosis scores as shown in the figure below. The animals in the TERN-201 dosing groups had a reduced inflammation score of 1.1, while placebo animals on average had an inflammation score of 2.3. This significant histological response correlates with the anti-inflammatory activity of TERN-201. Fibrosis scores were also reduced with an average score of 2.1 and 2.3 for the low and high TERN-201 dosing groups, respectively, compared to an average score of 2.9 in the placebo group.

TERN-201 reduces liver inflammation and fibrosis in an *in vivo* rodent model of NASH

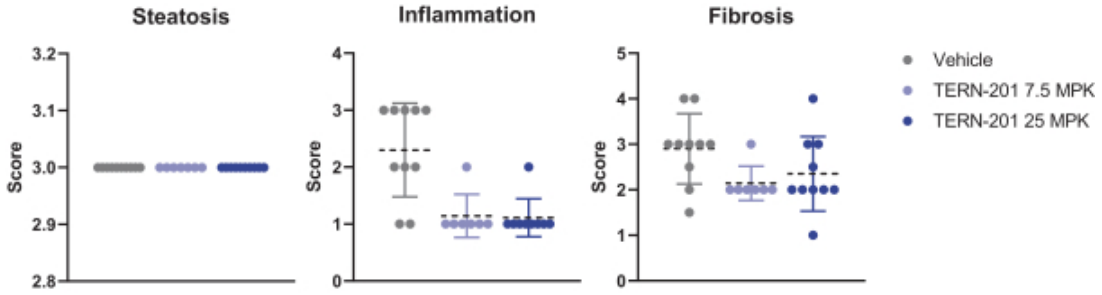


Figure: *Efficacy of TERN-201 in a rat model of NASH. Liver steatosis, inflammation and fibrosis assessed by histological scoring in treated groups (n=10). TERN-201 treatment groups had an ~1 point reduction in inflammation and fibrosis scores relative to the placebo group. Data for individual animals (dots) and mean (dashed line) are presented.*

Planned TERN-201 Phase 1b clinical trial

We intend to initiate a 12-week Phase 1b clinical trial of TERN-201 in patients with NASH in the first half of 2021 that will assess the tolerability of different doses of TERN-201 and the potential improvements in NASH biomarkers. We expect to enroll approximately 60 patients in this trial. The primary endpoint of this trial will be to assess the safety of TERN-201. We expect top-line data from this clinical trial to be available in the first half of 2022. Following this clinical trial, we will consider subsequent trials of TERN-201 as monotherapy or potentially in combination with a metabolically active NASH treatment.

TERN-501 – a selective THR-b agonist with enhanced metabolic stability and liver distribution

Drug candidate summary

TERN-501 is a selective THR-b agonist with enhanced metabolic stability and liver distribution, characteristics that are intended to improve safety and efficacy in NASH patients. THR-b is the major form of thyroid hormone receptor in the liver and regulates key aspects of energy metabolism, including fatty acid and lipid synthesis and removal of liver fat through induction of fatty acid oxidation. THR-b stimulation has been identified as a target for NASH on the basis of its potential to reduce hepatic steatosis and improve serum lipid parameters in NASH patients. For any THR agonist, a key concern is toxicity from excess systemic THR-α stimulation. TERN-501 is 23-fold more selective for THR-b than for THR-α activation, thereby minimizing the risk of cardiotoxicity through THR-α stimulation. TERN-501 has high metabolic stability and a low projected clinical dose, which we believe makes it an attractive candidate for fixed-dose combination co-formulations. We have completed IND-enabling studies for TERN-501 and we expect to have an IND effective in the first half of 2021 which will allow us to initiate a Phase 1 first-in-human clinical trial.

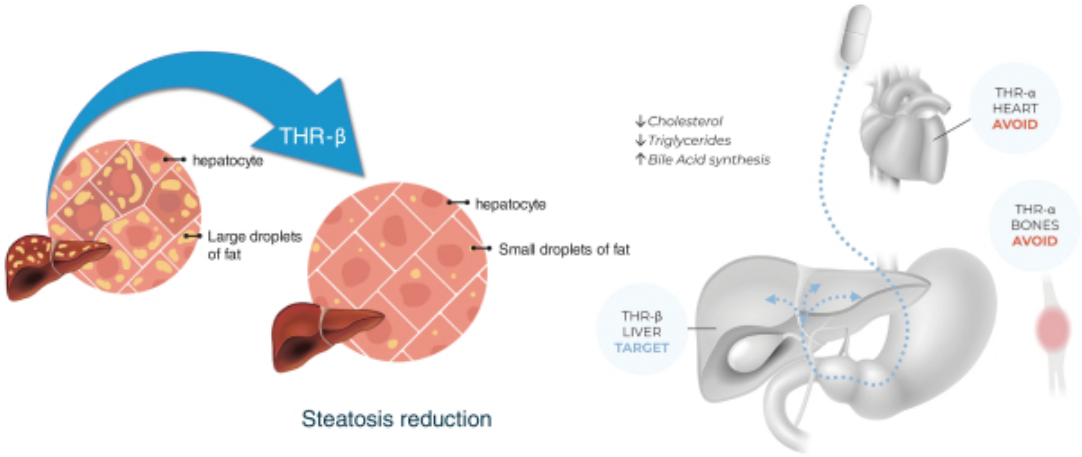
THR-b agonists for NASH

Thyroid hormone plays a central role in regulating metabolism, through its actions in multiple tissues, including fat, skeletal muscle, pancreas, and liver. THR-α and THR-b are nuclear receptors widely expressed in the body, but the two different isoforms are differentially expressed in different tissue types. THR-b is the major form of thyroid hormone receptor in the liver and regulates key aspects of energy metabolism, including fatty acid and lipid synthesis and removal of liver fat through induction of fatty acid oxidation. THR-α is the major form of thyroid hormone receptor in cardiac muscle, skeletal muscle and bone. Selective agonism of THR -b in the liver has been identified as a target for NASH and validated in clinical trials on the basis of its potential to improve hepatic steatosis and lipid profiles in NASH patients.

*Clinical validation of THR-*b *agonism*

Data from other NASH clinical studies validate the potential of THR-b agonism as a NASH treatment (the data from other NASH clinical studies described in this paragraph are from Madrigal Pharmaceuticals, Inc.'s Phase 2 Study of MGL-3196 and Viking Therapeutics, Inc.'s Phase 2 Study of VK2809). In these clinical studies, two different THR-b agonists showed significant reductions in liver fat measured by MRI-PDFF, as well as reduction in lipid levels in serum, which may offer additional benefits to NASH patients who are at high risk of cardiovascular comorbidities. One of these clinical trials correlated reductions in liver fat measured by MRI-PDFF with histological responses including NAS reduction, NASH resolution and fibrosis resolution. These types of histological responses may be suitable for accelerated approval under current draft guidance from the FDA titled "Noncirrhotic Nonalcoholic Steatohepatitis With Liver Fibrosis: Developing Drugs for Treatment Guidance for Industry."

Selectivity towards THR-b **over THR-**α **is key to modulating the metabolic activities in the liver without triggering the unwanted effects of thyroid hormone outside of the liver**



*Limitations of THR-*b *targeting*

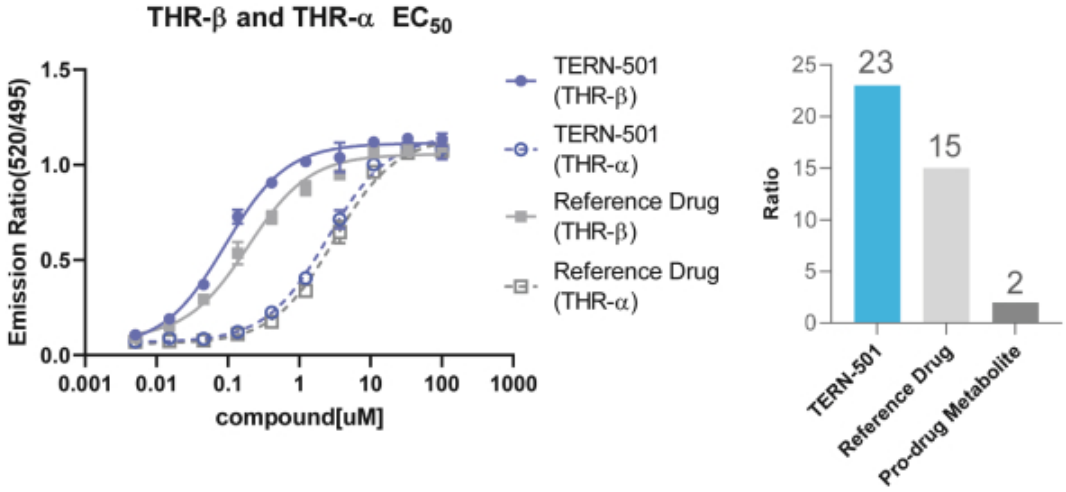
For THR agonists, a key safety concern is the potential for adverse effects from off-target thyroid hormone receptor stimulation that may stem from either lack of selectivity for THR-b or high variations in pharmacokinetics due to the lack of metabolic stability. Selectivity for THR-b over THR-α is key to modulating the metabolic activities in the liver without triggering the unwanted effects of THR-α activation outside of the liver. Stimulation of THR-α can adversely affect the cardiovascular and musculoskeletal system through increases in heart rate, cardiac arrhythmias, muscle wasting, and reduced bone mineral density. Therefore, the identification of a selective THR-b agonist particularly with enhanced liver distribution, would have the potential to improve hepatic steatosis and serum lipid profiles while potentially avoiding adverse effects of THR-α activation. However, the use of a liver-targeted pro-drug approach to overcome THR selectivity has not completely avoided cardiac adverse events in clinical trials.

In addition to THR-b selectivity, metabolic stability and predictable pharmacokinetics are important considerations in the development of thyroid hormone activators. In a Phase 2 clinical trial of another selective THR-b agonist, lack of metabolic stability resulted in significant inter-patient variability in drug exposure that required PK monitoring and dose adjustments. Dose adjustments in widespread clinical practice present potential challenges in terms of patient compliance, safety monitoring and additional burden on the healthcare system. Additionally, highly variable pharmacokinetics and unpredictable drug concentrations would hinder the potential for combination treatment in NASH patients.

Our solution for THR-b agonism: high THR-b-selectivity and improved metabolic stability

TERN-501 was selected over other discovery candidates because of its high selectivity for THR-b over THR-α, its improved metabolic stability and its enhanced liver-distribution, all of which are characteristics that are intended to improve efficacy and safety in NASH patients. TERN-501 has a similar structural backbone to other THR-b agonists in late stage development that are selective for THR-b. Furthermore, the TERN-501 chemical structure incorporates certain changes designed to enhance metabolic and pharmacokinetic stability, thereby limiting the need for individualized dose adjustments implemented in studies with other THR-b agonists. In a head-to-head comparison, TERN-501 has shown a 23-fold selectivity for THR-b over THR-α stimulation in a cell-free assay, which is higher than the selectivity for two other THR agonists currently in development. TERN-501 is not a pro-drug and does not rely on the metabolic process to make it pharmacologically active. The following chart illustrates the selectivity of TERN-501 as compared to a reference drug and the active metabolite of a pro-drug in clinical development for NASH.

TERN-501 demonstrates higher selectivity for THR-b over THR-α



Non-clinical tissue distribution studies show that TERN-501 demonstrates enhanced liver distribution relative to plasma and other organs. From non-clinical studies, TERN-501 is projected to have a predictable human PK profile due to its improved metabolic stability. Due to its metabolic stability, we believe that TERN-501 is unlikely to require PK monitoring and individualized clinical dose adjustment in NASH patients, as was done with another THR-b agonist in development that lacks metabolic stability and has variable PK in humans, thereby avoiding potential challenges associated with monitoring and dose adjustment in clinical practice, including patient compliance, safety monitoring and additional burden on the healthcare system. Further, TERN-501 is projected to have a low clinically efficacious dose range which, along with its metabolic stability, makes it attractive for long-term NASH treatment and for co-formulation as part of a fixed-dose combination.

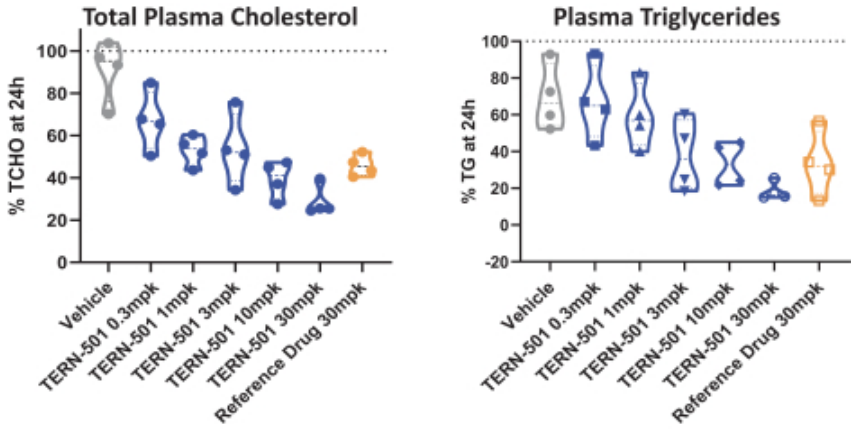
Preclinical data for TERN-501

In preclinical studies, TERN-501 showed potent activity in animal models of metabolic disease. TERN-501 produced rapid and significant reductions in serum lipids in an *in vivo* rat model; serum total cholesterol and triglycerides were significantly reduced up to 71% and 82%, respectively, 24 hours after a single intraperitoneal

injection of TERN-501. In an *in vivo* mouse NASH model, histological analysis showed that TERN-501 resolved liver steatosis to healthy control levels at all doses and led to a dose-dependent reduction in liver triglycerides and fibrosis. TERN-501 treatment of these mice also led to significant reductions in serum cholesterol, triglycerides and ALT.

The graph below compares reductions in plasma cholesterol and plasma triglycerides in an *in vivo* rat model following a single intraperitoneal administration of various doses of TERN-501 as compared to a reference compound in late-stage clinical development.

TERN-501 demonstrates dose-dependent reductions in serum total cholesterol and triglycerides in an *in vivo* rodent model of hypercholesterolemia



The graphs below demonstrate the histological improvement in an *in vivo* mouse model of NASH following repeat administrations of various doses of TERN-501.

TERN-501 improves steatosis, inflammation and fibrosis in an *in vivo* mouse model of NASH

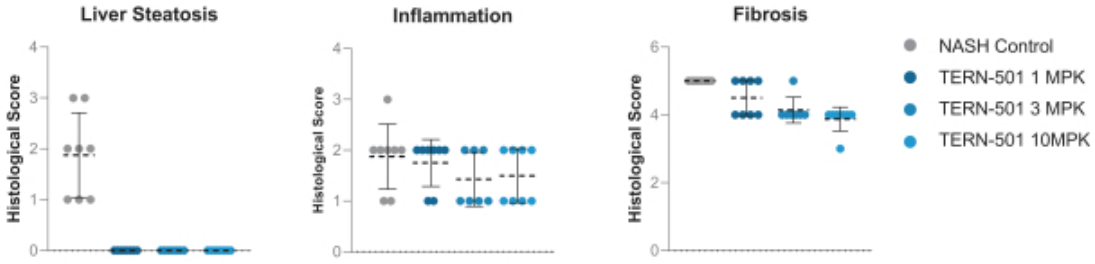


Figure: *Efficacy of TERN-501 in a mouse model of NASH. Liver steatosis, inflammation and fibrosis assessed by histological scoring in treated groups (n=8). Data for individual animals (dots) and mean (dashed line) are presented.*

Planned clinical trials for TERN-501

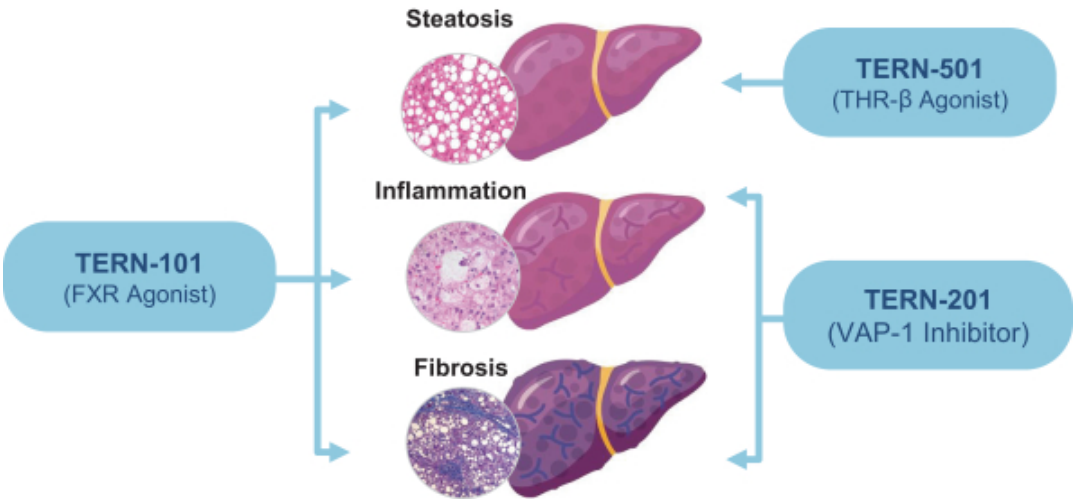
We intend to initiate a Phase 1 first-in-human clinical trial of TERN-501 in the first half of 2021. As a Phase 1 first in human clinical trial, the primary purpose of this trial is to address the safety of TERN-501. We

expect to enroll approximately 90 participants in this trial. As with our other clinical programs, this Phase 1 clinical trial is planned to include single ascending dose and multiple ascending dose cohorts in which we intend to assess TERN-501 safety, tolerability and PK, as well as the reduction in serum lipid levels which could serve as an early marker of target engagement. As part of this Phase 1 clinical trial, we also intend to assess drug-drug interactions, including the co-administration of our liver-distributed FXR agonist (TERN-101) and our metabolically stable THR-beta agonist (TERN-501), two mechanisms that have shown additive or synergistic improvements on histological endpoints and serum lipid parameters in our preclinical NASH studies. We expect top-line data from our Phase 1 clinical trial in the second half of 2021. Following this Phase 1 clinical trial, we plan to conduct a Phase 2a clinical trial in NASH patients assessing TERN-501 administered as monotherapy and potentially co-administered with TERN-101.

Combination Therapy Programs

Several prior clinical trials evaluating single-agent therapies for NASH have shown only moderate histological improvements and exhibited tolerability issues with some of these agents at high doses. We believe developing combination therapies targeting multiple mechanistic pathways will drive improved response rates for NASH patients while mitigating potential tolerability concerns and improving compliance as compared with monotherapy regimens. We are well-positioned to develop multiple combination therapies for NASH with our extensive experience in combination drug development and the ability to leverage from within our pipeline of wholly owned single-agents that we believe are attractive candidates for combination development. We are focused on developing combination therapies with clinically validated mechanisms of action to address the multifaceted nature of NASH. Given the strength of our internal resources and capabilities, we have the flexibility to independently advance our combination therapies without the need for a co-development partner at this time. We believe that therapies targeting steatosis (TERN-101 and TERN-501), inflammation (TERN-101 and TERN-201) and fibrosis (TERN-101 and TERN-201) in tandem, have the potential to provide greater resolution of NASH and improvement in related clinical outcomes.

Our combination approach: complementary mechanisms for the treatment of NASH



Preclinical data for combination therapies

We believe that a combination of TERN-101 and TERN-501 has the potential for improved therapeutic benefit for NASH patients. As a liver-distributed FXR agonist, TERN-101 is expected to have effects on multiple

facets of NASH, including potential improvements in steatosis, inflammation and fibrosis. TERN-501 is a THR-b agonist that is expected to potently and rapidly reduce hepatic steatosis and normalize plasma lipid parameters through the modulation of metabolic pathways that are distinct from those modulated by liver FXR activation. A combination of TERN-101 and TERN-501 would therefore be expected to significantly reduce steatosis, inflammation and fibrosis in NASH patients through their complementary effects without the need to use maximal dose levels of either agent. The combination may also result in a positive serum lipid profile since TERN-501 is expected to reduce LDL cholesterol and triglyceride levels in NASH patients in whom FXR agonists have generally not demonstrated potentially therapeutic decreases in plasma cholesterol or triglycerides.

As seen in the charts below, the combination of the FXR agonist TERN-101 and the THR-b agonist TERN-501 showed robust efficacy in an *in vivo* mouse model of NASH by profoundly reducing steatosis and significantly improving fibrosis, serum triglycerides, serum total cholesterol and ALT. The combination treatment of TERN-101 and TERN-501 also resulted in the expression of more than 800 additional distinct genes as compared to either agent alone, supporting our hypothesis that additional biological processes are activated by combination treatment. Together these results suggest that the combination of the FXR agonist TERN-101 and the THR-b agonist TERN-501 may provide additional benefits for NASH patients than either treatment alone.

Combination of TERN-101 + TERN-501 demonstrates improvements in liver histology and serum biomarkers in an *in vivo* NASH mouse model

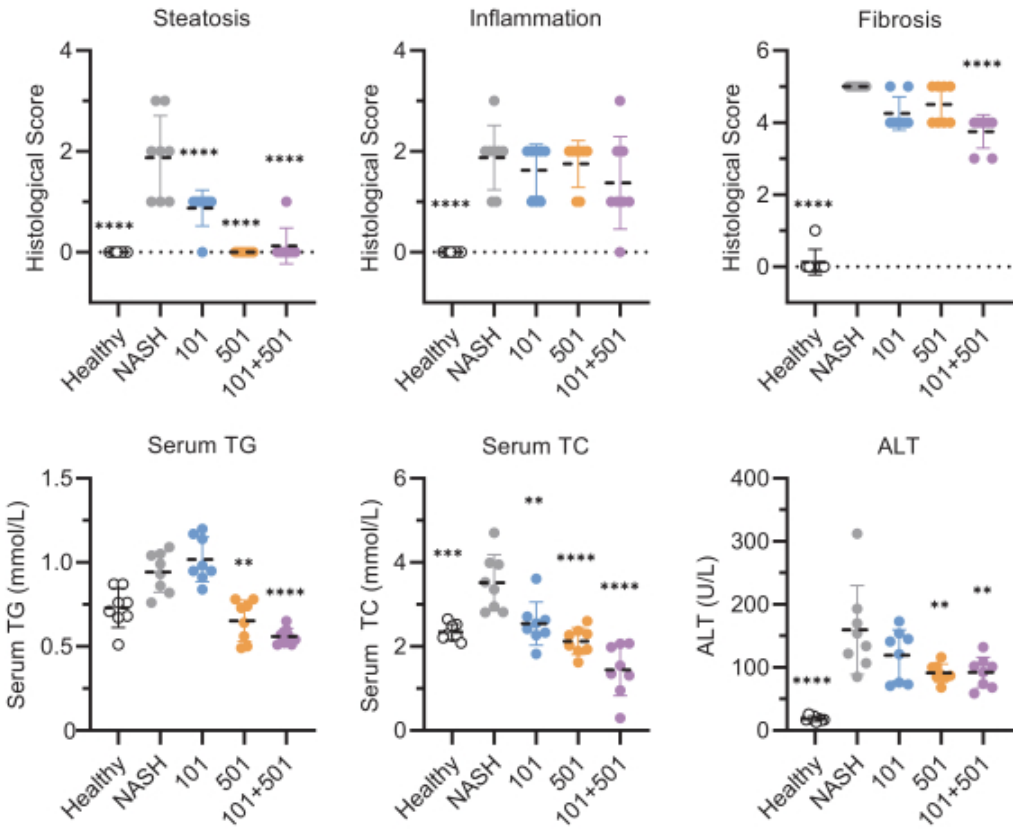


Figure: *Data from a NASH mouse model. TERN-101 dose 3 mg/kg; TERN-501 dose 1 mg/kg. Liver steatosis (upper left), inflammation (upper middle) and fibrosis (upper right) were quantified by histological analysis for*

*degree of steatosis, lobular inflammation, and fibrosis. Serum was collected at termination and analyzed for triglycerides, or TG (lower left), total cholesterol, or TC, (lower middle) and a biomarker of liver damage, alanine aminotransferase, or ALT (lower right). Data for individual animals (dots) and mean (dashed line) are presented; **p <0.01, ***p <0.001, ****p <0.*

We are also evaluating the potential to combine our VAP-1 inhibitor, TERN-201, with a metabolically active NASH treatment. We believe the anti-inflammatory and anti-fibrotic effects, sustained target engagement, VAP-1 selectivity and anticipated low therapeutic dose of TERN-201 make it suitable for co-administration with therapies directed at steatosis and other metabolic processes involved in NASH. For example, the combination of our FXR agonist TERN-101 and TERN-201 demonstrated histological improvements in inflammation and GGT, an inflammation biomarker, in an *in vivo* rodent model of NASH.

Clinical development plan for NASH combination of TERN-101 and TERN-501

Our approach for developing a differentiated NASH combination regimen is to discover and develop promising drug candidates targeting clinically validated mechanisms of action, advance them first as monotherapies to evaluate safety and pharmacokinetics in healthy volunteers and subsequently conduct Phase 1b or 2a trials to assess safety in NASH patients and potentially efficacious dose ranges using known non-invasive biomarkers of efficacy for these mechanisms of action. Subsequently, we intend to proceed to Phase 2a studies with the coadministration of two or more complimentary mechanisms of action—such as the FXR agonist TERN-101 and the THR-b agonist TERN-501—to assess the potential for combinations to generate additive or synergistic effects on these same non-invasive biomarkers relative to monotherapy and inform dose selection for later phase studies of the agents in combination. We then plan to proceed to longer duration Phase 2b and Phase 3 trials that can evaluate our individual monotherapies as well as promising combinations within the same trials to confirm treatment effects using liver biopsy and histological markers of efficacy. We believe this approach maximizes the chance of achieving higher NASH response rates compared to treatment approaches that rely exclusively on single-agent therapeutics and creates efficiencies through the evaluation of our individual monotherapies and combination treatments, allowing us to proceed to marketing authorization applications for those single-agent drug candidates and combination therapies that offer the clearest advantages to patients. The following graphic illustrates our potential combination development plan.

LIFT

	TERN-101 Phase 2a	TERN-501 Phase 2a	101 + 501 Phase 2a	101 + 501 Phase 2b	101 + 501 Phase 3
Duration	12 weeks	6 weeks	6-12 weeks	6-12 months	12-18 months
Arms	• Placebo • 5mg • 10mg • 15mg	• Placebo • Dose 1 • Dose 2 • Dose 3	• Placebo • Low/Low • Low/High • High/Low • High/High	• Placebo • 101 • 501 • 101+501	• Placebo • 101+501
Endpoints	MRI-PDFF ALT	MRI-PDFF ALT	MRI-PDFF ALT	Histology (combo>mono, mono>pbo)	Histology (combo>pbo)
Biopsy	No	No	No	Yes	Yes

Source: Illustrative development plan. Subject to discussion with regulatory authorities.

Preclinical Pipeline

Our small-molecule glucagon-like peptide-1 receptor, or GLP-1R, agonist program is intended to address metabolic processes involved in the pathogenesis of NAFLD and NASH. The natural endogenous ligand,

glucagon-like peptide-1, or GLP-1, promotes insulin secretion from pancreatic b-cells in a glucose-dependent-manner following food ingestion. Activation of the GLP-1 pathway has shown to be effective in driving NASH resolution in studies of available GLP-1 agonists currently approved for the treatment of diabetes. However, these approved agents are synthetic peptides and potentially require higher doses more frequent subcutaneous injections for the potential treatment of NASH. This injectable route of administration is likely to limit their use in NASH patients, particularly if efficacious oral NASH treatments become available. Although an oral GLP-1 peptide formulation is available for the treatment of Type 2 diabetes, it requires high doses, is associated with adverse effects and lacks NASH efficacy data. A non-peptidic small-molecule oral GLP-1 receptor agonist may offer advantages over currently available peptide GLP-1R agonists that have been studied for the treatment of NASH.

Our GLP-1R program has identified several potentially suitable small-molecule scaffolds. We plan to further optimize these series of compounds and identify structures that have the potential for once daily oral administration and a profile suitable for combination with other NASH drugs within our pipeline. We aim to nominate a final candidate for further development in the second half of 2021.

Manufacturing and supply

We do not own or operate manufacturing facilities for the production of any of our drug candidates, nor do we have plans to develop our own manufacturing operations in the foreseeable future. We currently rely, and expect to continue to rely, on third-party contract manufacturers for manufacturing all our drug candidates for preclinical research and clinical trials. We do not have long-term agreements with any of these third parties.

If any of our drug candidates are approved by any regulatory agency, we intend to enter into agreements with a third-party contract manufacturer and one or more back-up manufacturers for the commercial production of those drugs. Development and commercial quantities of any drugs that we develop will need to be manufactured in facilities, and by processes, that comply with the requirements of the FDA and the regulatory agencies of other jurisdictions in which we are seeking approval.

Sales and Marketing

Given our stage of development, we have not yet established a commercial organization. We intend to establish a targeted commercial infrastructure in key geographies at the appropriate time prior to regulatory approval of our single-agent drugs and fixed-dose combination therapies. We expect to manage sales, marketing and distribution through internal resources and third-party relationships.

In addition, we will opportunistically explore commercialization partnerships in territories outside the United States. As our drug candidates progress through our pipeline, our commercial plans may change. Clinical data, the size of the development programs, the size of our target markets, the size of a commercial infrastructure and manufacturing needs may all influence our commercialization strategies.

Competition

The biotechnology industry is intensely competitive and subject to rapid and significant technological change. We believe that our pipeline, development experience, and scientific knowledge provide us with competitive advantages. However, we face potential worldwide competition from many different sources, including large multinational pharmaceutical companies, established biotechnology companies, and smaller or earlier stage biotechnology companies. In addition, academic institutions, government agencies and other public and private organizations conducting research may seek patent protection with respect to potentially competitive products or technologies. Given the high incidence of NASH, it is likely that the number of companies seeking to develop products and therapies for the treatment of liver and cardio-metabolic diseases, including NASH, will increase. Most of our competitors are focused on single-agent product candidates; there are fewer competitors, of which we are aware, who are developing combination therapies for the treatment of NASH.

We are aware of both pharmaceutical and biotechnology companies with development programs in NASH. Large pharmaceutical companies participating in the development of NASH treatments include, but are not limited to, AbbVie, Inc., Amgen Inc., AstraZeneca PLC/MedImmune LLC, Bayer AG, Boehringer Ingelheim, Bristol-Myers Squibb Company, Eisai, Inc., Eli Lilly and Company, Gilead Sciences, Inc., GlaxoSmithKline plc, Johnson & Johnson, Merck & Co., Inc., Novartis Pharmaceuticals Corp., Novo Nordisk A/S, Pfizer Inc., Roche Holding AG, Sanofi, Sumitomo Dainippon Pharma Co., Ltd. and Takeda Pharmaceutical Co., Ltd.

In relation to TERN-101, companies who are currently conducting clinical trials with FXR in the context of NASH include AbbVie, Inc., Enanta Pharmaceuticals, Inc., ENYO Pharma SA, Gilead Sciences, Inc., Intercept Pharmaceuticals, Inc., Metacrine, Inc. and Novartis Pharmaceuticals Corp.

TERN-201, our VAP-1 inhibitor, is a relatively novel mechanism for the treatment of NASH, and thus has little competition we are aware of. The companies who are currently developing a SSAO/VAP-1 inhibitor with NASH as a lead indication are LG Chem Ltd. and Novo Nordisk A/S.

With regards to TERN-501, companies who are currently conducting clinical trials targeting THR-b in the context of NASH include Madrigal Pharmaceuticals, Inc. and Viking Therapeutics, Inc.

Furthermore, pharmaceutical and biotechnology companies who are developing clinical-stage drugs to treat NASH, using mechanisms not mentioned above, include 89Bio, Inc., Akero Therapeutics, Inc., Arrowhead Pharmaceuticals, Inc., Axcella Health, Inc., Carmot Therapeutics, Inc., Cirius Therapeutics, Inc., CohBar, Inc., Coherus Biosciences Inc., Corcept Therapeutics, Inc., CymaBay Therapeutics, Inc., Esperion Therapeutics, Inc., Galectin Therapeutics Inc., Galmed Pharmaceuticals Ltd., Hanmi Pharmaceutical Co., Ltd., Inventiva Pharma SA, Ionis Pharmaceuticals, Inc., MediciNova, Inc., NGM Biopharmaceuticals, Inc., NorthSea Therapeutics, Inc., Pliant Therapeutics, Inc., Poxel SA, Sagimet Biosciences, Inc., T3D Therapeutics, Inc. and Zydus Cadila Healthcare.

Many of our competitors have substantially greater financial, technical, human and other resources than we do and may be better equipped to develop, manufacture and market technologically superior products. In addition, many of these competitors have significantly greater experience than we have in undertaking preclinical studies and human clinical trials of new pharmaceutical products and in obtaining regulatory approvals of human therapeutic products. Accordingly, our competitors may succeed in obtaining FDA approval for superior products. Many of our competitors have established distribution channels for the commercialization of their products, whereas we have no such channel or capabilities. In addition, many competitors have greater name recognition and more extensive collaborative relationships. Smaller and earlier-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies.

Although we believe our drug and combination therapy candidate programs possess appealing attributes, we cannot guarantee that our products will achieve regulatory or market success. Our competitors may obtain regulatory approval of their products more rapidly than we do, or obtain patent protection or other intellectual property rights that limit our ability to develop or commercialize our drug candidate or any future drug candidates. Our competitors may also develop drugs that are more effective, more convenient, more widely used, and less costly, or have a better tolerability profile than our drugs. These competitors may also be more successful than we are in manufacturing and marketing their products. Should we not be able to compete with the aforementioned companies or others, it may hinder our ability to bring our product to market as planned.

Intellectual Property

The proprietary nature of, and protection for, our drug candidates and our discovery programs, processes and know-how are important to our business. For our patent portfolio for pipeline drug candidates, we seek to pursue patent protection covering compositions of matter and methods of use and manufacture. Our policy is to pursue, maintain, defend and enforce patent rights in strategic areas, whether developed internally or licensed from third parties, and to protect the technology, inventions and improvements that are commercially important

to the development of our business. We also rely on trade secrets, confidential information and other proprietary know-how that may be important to the development of our business.

As of January 15, 2021, our owned and exclusively licensed patent portfolio includes:

- For TERN-101, our FXR agonist, we own five patent families and exclusively license from Eli Lilly and Company, or Eli Lilly, two patent families, which collectively are directed to composition-of-matter coverage of TERN-101, its formulations, and its methods of use (including combination therapy) in the treatment of certain liver, metabolic and other diseases and conditions. The composition-of-matter patent family includes one issued U.S. patent and over 35 granted foreign patents. The issued U.S. patent in the composition-of-matter patent family is projected to expire, inclusive of patent term adjustment, in 2029, not including any patent term extensions that may be available. Corresponding foreign patents are generally projected to expire in 2028, not including any patent term extensions that may be available. For more information regarding this exclusive license agreement with Eli Lilly, please see "—Licensing and Other Intellectual Property-Related Agreements."
- For TERN-201, our VAP-1 inhibitor, we own two patent families and exclusively license from Eli Lilly two patent families, which collectively are directed to composition-of-matter coverage of TERN-201 and its methods of use (including combination therapy) in the treatment of certain liver, metabolic and other diseases and conditions. The composition-of-matter patent family includes three issued U.S. patents and 25 pending patent applications in foreign jurisdictions, including Australia, Brazil, Canada, China, the EPO, India, Japan and Korea. The patents in this patent family and any patents issuing from patent applications therein are projected to expire in 2036, not including any patent term extensions that may be available. For more information regarding this exclusive license agreement with Eli Lilly, please see "—Licensing and Other Intellectual Property-Related Agreements."
- We do not currently own or have a license to any issued patent with claims directed to TERN-501, our THR-b agonist. However, we own two patent families with applications collectively directed to composition-of-matter coverage of TERN-501 and its methods of use (including combination therapy) in the treatment of various diseases, including certain liver, metabolic and other diseases and conditions. The composition-of-matter patent family is being pursued in the United States and in certain foreign jurisdictions, including under the Patent Cooperation Treaty. Any patents that may issue from applications in the composition-of-matter patent family are generally projected to expire in 2039, not including any patent term adjustments and any patent term extensions that may be available.

Our commercial success will depend in part on obtaining and maintaining patent protection of our current and future drug candidates, as well as successfully defending these patents against third-party challenges. Our ability to stop third parties from making, using, selling, offering to sell or importing our drugs depends in large part on the extent to which we have rights under valid and enforceable patents that cover these activities. We cannot be sure that patents will be granted with respect to any of our owned or licensed pending patent applications or with respect to any patent applications filed or licensed by us in the future, nor can we be sure that any patents that may be granted to, or licensed by, us in the future will be commercially useful in protecting our drug candidates, discovery programs and processes. Moreover, we cannot be sure that any of our owned or licensed patents will not be challenged, invalidated or circumvented or that such patents will be commercially useful in protecting our technology.

The term of individual patents depends upon the legal term of the patents in the countries in which they are obtained. In most countries in which we file, including the United States, the patent term is 20 years from the earliest date of filing a non-provisional patent application. In the United States, the patent term of a patent that covers an FDA-approved drug, in certain cases, may also be eligible for patent term extension, which permits patent term extension as compensation for the patent term lost during the FDA regulatory review process. The Drug Price Competition and Patent Term Restoration Act of 1984 permits such patent term extension of up to five years beyond the expiration of the patent, but patent term extension cannot extend the remaining term of a

patent beyond a total of 14 years from the date of product approval. Only one patent among those eligible for an extension may be extended and the amount of available extension to any extension-eligible patent which claims a product, a method of using a product or a method of manufacturing a product, depends on a variety of factors, including the date on which the patent issues and certain dates related to the regulatory review period. Provisions are available in Europe and some other foreign jurisdictions to extend the term of a patent that covers an approved drug. In the future, if and when our drugs receive FDA or analogous foreign approval, we expect to apply for patent term extensions on patents covering those drugs from the applicable authorities where patent term extension is available, including the United States Patent and Trademark Office, or USPTO. There is no guarantee that the applicable authorities, including the USPTO, will agree with our assessment of whether such extensions should be granted, and if granted, the length of such extensions.

In addition to patent protection, we also rely on trademark registration, trade secrets, know how, other proprietary information and continuing technological innovation to develop and maintain our competitive position. We seek to protect and maintain the confidentiality of proprietary information of our business that is not amenable to, or that we do not consider appropriate for, patent protection. We take steps to protect our proprietary information, including trade secrets and unpatented know-how, by entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants and advisors. However, we cannot provide any assurances that all such agreements have been duly executed, and any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets and unpatented know-how, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets.

Moreover, third parties may still obtain this proprietary information or may come upon this or similar information independently, and we would have no right to prevent them from using that information to compete with us. If any of these events occurs or if we otherwise lose protection for our trade secrets and know how the value of this information may be greatly reduced, and our competitive position would be harmed. If we do not apply for patent protection prior to such publication or if we cannot otherwise maintain the confidentiality of our proprietary technology and other confidential information, then our ability to obtain patent protection or to protect our trade secret information may be jeopardized.

The patent positions of biotechnology companies like ours are generally uncertain and involve complex legal, scientific and factual questions. Our commercial success will also depend in part on not infringing upon the proprietary rights of third parties. It is uncertain whether the issuance of any third-party patent or other intellectual property or other proprietary right would require us to alter our development or commercial strategies, or any of our drug candidates or processes, obtain licenses or cease certain activities. Our breach of any license agreements or our failure to obtain a license to proprietary rights required to develop or commercialize our future drugs may have a material adverse impact on us. If third parties prepare and file patent applications in the United States that also claim technology to which we have rights, we may have to participate in interference or derivation proceedings in the USPTO to determine priority of invention. For more information regarding the risks related to intellectual property, please see “Risk Factors—Risks Related to Intellectual Property.”

Licensing and Other Intellectual Property-Related Agreements

TERN-101 License Agreement with Eli Lilly

In February 2018, we entered into an exclusive license agreement with Eli Lilly, or the TERN-101 License Agreement, pursuant to which we have been granted an exclusive, worldwide, sublicensable (subject to certain conditions), royalty-bearing license under certain intellectual property rights, including patents applications filed in both the United States and foreign jurisdictions claiming the composition of the compound Eli Lilly has

designated as LY2562175 and methods of using the same and certain know-how related to the manufacture of LY2562175 owned or controlled by Eli Lilly to develop, manufacture and commercialize therapeutic products containing LY2562175, or TERN-101 Products, for all uses and indications in humans. Eli Lilly also has the right, on a country-by-country and TERN-101 Product-by-TERN-101 Product basis, to negotiate an agreement governing the co-promotion of TERN-101 Products if we, or our sublicensees, decide to commercialize a TERN-101 Product in the People's Republic of China, Hong Kong, Macau or Taiwan.

Pursuant to the terms of the TERN-101 License Agreement, we must use commercially reasonable efforts to develop, manufacture, apply for regulatory approval of and commercialize TERN-101 Products in the People's Republic of China. In addition, Eli Lilly provided us, at its expense, certain support in connection with the transfer of the licensed materials.

As consideration for the exclusive license, we are required to pay Eli Lilly up to an aggregate of $56 million upon the achievement of pre-specified clinical, regulatory and commercial milestone events for TERN-101 Products; no such milestones have been achieved to date under the TERN-101 License Agreement.

We are also required to pay tiered royalties calculated on a calendar year basis, ranging from mid-single digit to mid teen percentages, on net sales of TERN-101 Products. The royalty rate is subject to customary reductions, including reductions based on certain generic competition to a TERN-101 Product or amounts paid to any third party under a necessary license to such third party's patent rights in order to develop, manufacture, commercialize or use a TERN-101 Product. The royalty term will terminate on a country-by-country, TERN-101 Product-by-TERN-101 Product basis on the later of (i) the expiration date of the last valid claim within the licensed patent rights infringed by the sale of such TERN-101 Product in such country, (ii) the loss of regulatory exclusivity for such TERN-101 Product in such country, and (iii) the tenth anniversary of the first commercial sale of such TERN-101 Product in such country.

Any intellectual property or inventions developed solely by either party in connection with activities conducted pursuant to the TERN-101 License Agreement shall be owned solely by that party, and any jointly-developed intellectual property or inventions shall be jointly owned (although no joint development activities are anticipated). We have the first right to prosecute, maintain, defend and enforce certain patents licensed under the TERN-101 License Agreement, including any patents that are solely and directly related to LY2562175 or TERN-101 Products.

The TERN-101 License Agreement shall expire upon the expiration of the last-to-expire royalty term for the TERN-101 Products on a country-by-country basis. Upon expiration of the TERN-101 License Agreement, the license granted to us shall be considered fully paid-up, irrevocable, perpetual and non-exclusive. Either we or Eli Lilly may terminate the TERN-101 License Agreement if the other party commits a material breach of the agreement or defaults in the performance thereunder and fails to cure that breach within 90 days after written notice is provided, or in the event of insolvency of the other party. We may terminate the TERN-101 License Agreement in its entirety or on a country-by-country and TERN-101 Product-by-TERN-101 Product basis upon 180 days' prior written notice. Eli Lilly may terminate the TERN-101 License Agreement if we, our affiliates or our sublicensees challenge the licensed patents or if we assist any third party in challenging such patents.

TERN-201 License Agreement with Eli Lilly

In March 2018, we entered into an exclusive license agreement with Eli Lilly, or the TERN-201 License Agreement, pursuant to which we have been granted an exclusive, worldwide, sublicensable (subject to certain conditions), royalty-bearing license under certain intellectual property rights, including patents applications filed in both the United States and foreign jurisdictions claiming the composition of the compound Eli Lilly has designated as LY3379274, and methods of using the same and certain know-how related to the manufacture of LY3379274 owned or controlled by Eli Lilly to develop, manufacture, and commercialize therapeutic products containing LY3379274, or TERN-201 Products, for all uses and indications in humans. Eli Lilly has a right of

first negotiation to negotiate an agreement covering the commercialization of any TERN-201 Product before we negotiate the same with a third party. Eli Lilly also has the right, on a country-by-country and TERN-201 Product-by- TERN-201 Product basis, to negotiate an agreement governing the co-promotion of TERN-201 Products if we, or our sublicensees, decide to commercialize a TERN-201 Product in the People's Republic of China, Hong Kong, Macau or Taiwan.

Pursuant to the terms of the TERN-201 License Agreement, we must use commercially reasonable efforts to develop, manufacture, apply for regulatory approval of and commercialize TERN-201 Products in the People's Republic of China, the United States, Japan, France, Germany, Italy, Spain and the United Kingdom. In addition, Eli Lilly provided us, at its expense, certain support in connection with the transfer of the licensed materials.

As initial consideration for the license under the TERN-201 License Agreement, we paid Eli Lilly a non-refundable, upfront payment of $4 million. As additional consideration for the exclusive license, we are required to pay Eli Lilly up to an aggregate of $104 million upon the achievement of specified clinical and regulatory milestone events for TERN-201 Products. No development milestones have been achieved to date under the TERN-201 License Agreement.

We are also required to pay tiered royalties, ranging from mid-single digit to mid-teen percentages, on annual net sales of TERN-201 Products. The royalty rate is subject to customary reductions, including reductions based on certain generic competition to a TERN-201 Product or amounts paid to any third party under a necessary license to such third party's patent rights in order to develop, manufacture, commercialize or use a TERN-201 Product. The royalty term will terminate on a country-by-country, TERN-201 Product-by-TERN-201 Product basis on the later of (i) the expiration date of the last valid claim within the licensed patent rights infringed by the sale of such TERN-201 Product in such country, (ii) the loss of regulatory exclusivity for such TERN-201 Product in such country, and (iii) the tenth anniversary of the first commercial sale of such TERN-201 Product in such country.

Any intellectual property or inventions developed solely by either party in connection with activities conducted pursuant to the TERN-201 License Agreement shall be owned solely by that party, and any jointly-developed intellectual property or inventions shall be jointly owned (although no joint development activities are anticipated). We have the first right to prosecute, maintain, defend and enforce certain patents licensed under the TERN-201 License Agreement, including any patents that are solely and directly related to LY3379274 or TERN-201 Products.

The TERN-201 License Agreement shall expire upon the expiration of the last-to-expire royalty term for the TERN-201 Products on a country-by-country basis. Upon expiration of the TERN-201 License Agreement, the license granted to us shall be considered fully paid-up, irrevocable, perpetual and non-exclusive. Either we or Eli Lilly may terminate the TERN-201 License Agreement if the other party commits a material breach of the agreement or defaults in the performance thereunder and fails to cure that breach within 90 days after written notice is provided, or in the event of insolvency of the other party. We may terminate the TERN-201 License Agreement in its entirety or on a country-by-country and TERN-201 Product-by-TERN-201 Product basis upon 180 days prior written notice. Eli Lilly may terminate the TERN-201 License Agreement if we, our affiliates or our sublicensees challenge the licensed patents or if we assist any third party in challenging such patents.

THR-b *Agonist Assignment Agreement with Vintagence Biotechnology Ltd.*

In June 2019, we entered into an assignment agreement with Vintagence Biotechnology Ltd., or Vintagence, pursuant to which Vintagence assigned to us certain worldwide intellectual property rights that are directed to THR-b agonists. In particular, we have been assigned a Chinese patent application and potentially certain other patents or patent applications and know-how relating to our THR-b program. We are also entitled to license the rights granted to us under the assignment agreement.

Pursuant to the terms of the assignment agreement, we must use commercially reasonable efforts to develop and commercialize a product based on the assigned intellectual property in each of several major market territories.

During the term of the assignment agreement, Vintagence may not develop, manufacture, commercialize or otherwise exploit any compound covered by any of the assigned patent rights. In the event Vintagence develops a THR-b agonist not covered by the assigned patent rights, we will have the first right to negotiate an assignment or license to exclusively develop, manufacture, commercialize or otherwise exploit such agonist.

As initial consideration for the assignment, we paid Vintagence an upfront payment of CNY 5 million (approximately $0.75 million). As additional consideration, we are required to pay Vintagence up to an aggregate CNY 205 million (approximately $30 million) upon the achievement of specified developmental, clinical and regulatory milestone events with respect to products covered by the agreement.

We have the sole responsibility and decision-making authority to prosecute the assigned patents. However, if we decline to pay the prosecution costs for any assigned patent, Vintagence shall have the right to prosecute such assigned patent, and we must assign such assigned patent back to Vintagence. We also have the first right to enforce the assigned patents and know-how. If we do not bring an action to enforce any of the assigned patents or know-how against infringing activities, Vintagence has the right to bring such an action.

The assignment agreement will continue on a country-by-country basis until we have paid all milestone payments. We may terminate the assignment agreement in its entirety or on a covered product-by-covered product and country-by-country basis without cause with 60 days' prior written notice. Either party may terminate the assignment agreement for the other party's material breach that remains uncured for 90 days or for the other party's insolvency. If we terminate the assignment agreement without cause or if Vintagence terminates the assignment agreement for our uncured material breach, we must transfer the assigned intellectual property back to Vintagence.

TRN-000632 Exclusive Option and License agreement with Hansoh Pharmaceuticals

In July 2020, we, along with our subsidiaries, CaspianTern LLC and Terns, Inc., entered into an exclusive option and license agreement with Hansoh (Shanghai) Healthtech Co., Ltd. and Jiangsu Hansoh Pharmaceutical Group Company Ltd., or collectively, Hansoh, pursuant to which we have granted an exclusive option, exercisable during a specified period, to Hansoh to obtain an exclusive, royalty-bearing license under certain patent and other intellectual property rights owned or controlled by us, including patents claiming the composition of TRN-000632, our small-molecule allosteric inhibitor of the BCR-ABL fusion gene, and methods of using the same, to research, develop, manufacture, use, distribute, sell and otherwise exploit therapeutic products containing TRN-000632, or Hansoh Products, for all prophylactic, palliative, therapeutic and/or diagnostic uses in human diseases and disorders in the field of oncology in mainland China, Taiwan, Hong Kong, and Macau, or the Hansoh Territory. Notwithstanding the foregoing, we would retain co-exclusive rights under certain know-how licensed to Hansoh and all rights under the patent rights outside of the field of oncology and Hansoh Territory. If Hansoh exercises its option and at our request, the parties will enter into a manufacturing and technology transfer agreement under which Hansoh will provide technical assistance and support related to the manufacture of Hansoh Products containing TRN-000632 as the sole active ingredient, at our cost. Pursuant to the terms of the option and license agreement, upon Hansoh's exercise of its option, Hansoh must use commercially reasonable efforts to develop and commercialize a Hansoh Product in the Hansoh Territory and Hansoh may not exploit any other product in the Hansoh Territory with the same primary mechanism of action as the Hansoh Products.

As consideration for the exclusive option, we received an upfront, refundable (if Hansoh does not exercise the option) payment of $1 million. Under the license, if Hansoh exercises its option, Hansoh has agreed to pay us up to an aggregate $67.0 million upon the achievement of pre-specified clinical, regulatory and sales milestones

with respect to the Hansoh Products. No such milestones have been achieved to date under this option and license agreement. Hansoh must also pay us royalties of a mid-single digit percentage on net sales of all Hansoh Products. The royalty rate is subject to customary reductions, including reductions based on generic competition to the Hansoh Products or royalties paid to any third party under a license to such third party's patent rights necessary in order to commercialize a Hansoh Product. The royalty term will terminate on a Hansoh Product-by-Hansoh Product and country-by-country basis on the later of (i) the expiration date of the last valid claim within the licensed patent rights covering such Hansoh Product in such country, (ii) the loss of regulatory exclusivity for such Hansoh Product in such country, and (iii) the tenth anniversary of the first commercial sale of such Hansoh Product in such country.

Upon the effectiveness of the license, intellectual property developed out of the activities under this option and license agreement, and that is necessary or useful to exploit TRN-000632 or Hansoh Products, solely developed by one party shall be owned by that party, and jointly-developed intellectual property shall be jointly-owned. Hansoh will have the first right to prosecute, maintain, defend and enforce the licensed patent rights in the Hansoh Territory.

Hansoh's right to exercise the option shall expire upon the earlier of 30 days after certain studies are completed or 16 months from the effective date of the option and license agreement. Hansoh can terminate its option at any time. If Hansoh exercises its option, the option and license agreement shall expire upon the expiration of the last-to-expire royalty term for the Hansoh Products in the Hansoh Territory. Upon expiration of the option and license agreement, the license under our know-how granted to Hansoh shall be considered fully paid-up, perpetual and co-exclusive. Either we or Hansoh may terminate the option and license agreement if the other party commits a material breach of the agreement and fails to cure that breach within 90 days after written notice is provided, or in the event of insolvency of the other party. Hansoh may terminate the option and license agreement upon 180 days' prior written notice if the option has been exercised. Hansoh may also terminate the option and license agreement upon 60 days' prior written notice if we undergo certain change of control events. If Hansoh terminates the option and license agreement upon such change of control events, we must assign our entire right, title and interest in and to the Hansoh Products, including all intellectual property rights therein, in the Hansoh Territory to Hansoh and Hansoh shall provide us the fair market value of such assignment.

Government Regulation and Product Approval

Among others, the FDA, the European Medicines Agency, or EMA, U.S. Department of Health and Human Services Office of Inspector General, the Centers for Medicare and Medicaid Services, or CMS, and comparable regulatory authorities in state and local jurisdictions and in other countries impose substantial and burdensome requirements on companies involved in the clinical development, manufacture, marketing and distribution of drugs such as those we are developing. These agencies and other federal, state and local entities regulate, among other things, the research and development, testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion, distribution, post-approval monitoring and reporting, sampling and export and import of our drug and combination therapy candidates. Any drug candidates that we develop must be approved by the FDA before they may be legally marketed in the United States and by the appropriate foreign regulatory agency before they may be legally marketed in those foreign countries. Generally, our activities in other countries will be subject to regulation that is similar in nature and scope as that imposed in the United States, although there can be important differences. Additionally, some significant aspects of regulation in the European Union, or EU, are addressed in a centralized way, but country-specific regulation remains essential in many respects.

U.S. Drug Development Process

In the United States, the FDA regulates drugs under the federal Food, Drug, and Cosmetic Act, or the FDCA, and its implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of

substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval may subject an applicant to administrative or judicial sanctions. These sanctions could include the FDA's refusal to approve pending applications, withdrawal of an approval, a clinical hold, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

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

- completion of preclinical laboratory tests, animal studies and formulation studies in accordance with FDA's good laboratory practice requirements and other applicable regulations;
- submission to the FDA of an investigational new drug application, or IND, which must become effective before human clinical trials may begin;
- approval by an independent institutional review board, or IRB, or ethics committee at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with good clinical practice, or GCP, requirements to establish the safety and efficacy of the proposed drug for its intended use;
- submission to the FDA of a new drug application, or NDA, after completion of all pivotal trials;
- a determination by the FDA within 60 days of its receipt of an NDA to file the NDA for review;
- satisfactory completion of an FDA advisory committee review, if applicable;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with cGMP requirements to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity, and of selected clinical investigation sites to assess compliance with GCPs;
- potential FDA audit of the preclinical and/or clinical trial sites that generated the data in support of the NDA; and
- FDA review and approval of the NDA to permit commercial marketing of the product for particular indications for use in the United States.

Prior to beginning the first clinical trial with a product candidate in the United States, we must submit an IND to the FDA. An IND is a request for authorization from the FDA to administer an investigational new drug product to humans. The central focus of an IND submission is on the general investigational plan and the protocol(s) for clinical studies. Some preclinical testing may continue even after the IND is submitted. The IND also includes results of animal and *in vitro* studies assessing the toxicology, pharmacokinetics, pharmacology, and pharmacodynamic characteristics of the product; chemistry, manufacturing, and controls information; and any available human data or literature to support the use of the investigational product. An IND must become effective before human clinical trials may begin. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises safety concerns or questions about the proposed clinical trial. In such a case, the IND may be placed on clinical hold and the IND sponsor and the FDA must resolve any outstanding concerns or questions before the clinical trial can begin. Submission of an IND therefore may or may not result in FDA authorization to begin a clinical trial.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical study. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in

monitoring safety and the effectiveness criteria to be evaluated. A separate submission to the existing IND must be made for each successive clinical trial conducted during product development and for any subsequent protocol amendments. Furthermore, an independent IRB for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial and its informed consent form before the clinical trial begins at that site and must monitor the study until completed. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the informed consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. Regulatory authorities, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk or that the trial is unlikely to meet its stated objectives. Some studies also include oversight by an independent group of qualified experts organized by the clinical study sponsor, known as a data safety monitoring board, which provides authorization for whether or not a study may move forward at designated check points based on access to certain data from the study and may halt the clinical trial if it determines that there is an unacceptable safety risk for subjects or other grounds, such as no demonstration of efficacy. There are also requirements governing the reporting of ongoing clinical studies and clinical study results to public registries.

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

- Phase 1: The product candidate is initially introduced into healthy human subjects or patients with the target disease or condition. These studies are designed to test the safety, dosage tolerance, absorption, metabolism and distribution of the investigational product in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness. In the case of some products for severe or life-threatening diseases, such as cancer, especially when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients.
- Phase 2: The product candidate is administered to a limited patient population with a specified disease or condition to evaluate the preliminary efficacy, optimal dosages, dose tolerance and dosing schedule and to identify possible adverse side effects and safety risks. Multiple Phase 2 clinical trials may be conducted to obtain information prior to beginning larger and more expensive Phase 3 clinical trials.
- Phase 3: The product candidate is administered to an expanded patient population to further evaluate dosage, to provide statistically significant evidence of clinical efficacy and to further test for safety, generally at multiple geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the investigational product and to provide an adequate basis for product approval. Generally, two adequate and well-controlled Phase 3 clinical trials are required by the FDA for approval of an NDA.

Post-approval trials, sometimes referred to as Phase 4 studies, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, such as with accelerated approval drugs, FDA may mandate the performance of Phase 4 trials. In certain instances, the FDA may mandate the performance of Phase 4 clinical trials as a condition of approval of an NDA.

The FDA or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. In addition, some clinical trials are overseen by an independent group of qualified experts organized by the sponsor, known as a data safety monitoring board or committee. Depending on its charter, this group may determine whether a trial may move forward at designated check points based on access to certain data from the trial.

During the development of a new drug, sponsors are given opportunities to meet with the FDA at certain points. These points may be prior to submission of an IND, at the end of Phase 2, and before an NDA is submitted. Meetings at other times may be requested. These meetings can provide an opportunity for the sponsor to share information about the data gathered to date, for the FDA to provide advice, and for the sponsor and the FDA to reach agreement on the next phase of development. Sponsors typically use the meetings at the end of the Phase 2 trial to discuss Phase 2 clinical results and present plans for the pivotal Phase 3 clinical trials that they believe will support approval of the new drug.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug and finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of the final drug. In addition, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

While the IND is active and before approval, progress reports summarizing the results of the clinical trials and nonclinical studies performed since the last progress report must be submitted at least annually to the FDA, and written IND safety reports must be submitted to the FDA and investigators for serious and unexpected suspected adverse events, findings from other studies suggesting a significant risk to humans exposed to the same or similar drugs, findings from animal or *in vitro* testing suggesting a significant risk to humans, and any clinically important increased incidence of a serious suspected adverse reaction compared to that listed in the protocol or investigator brochure.

U.S. Review and Approval Process

Assuming successful completion of all required testing in accordance with all applicable regulatory requirements, the results of product development, preclinical and other non-clinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the chemistry of the drug, proposed labeling and other relevant information are submitted to the FDA as part of an NDA requesting approval to market the product. Data may come from company-sponsored clinical trials intended to test the safety and effectiveness of a use of a product, or from a number of alternative sources, including studies initiated by investigators. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and effectiveness of the investigational drug product to the satisfaction of the FDA. The submission of an NDA is subject to the payment of substantial user fees; a waiver of such fees may be obtained under certain limited circumstances. Additionally, no user fees are assessed on NDAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

The FDA reviews an NDA to determine, among other things, whether a product is safe and effective for its intended use and whether its manufacturing is cGMP-compliant to assure and preserve the product's identity, strength, quality and purity. Under the Prescription Drug User Fee Act, or PDUFA, guidelines that are currently in effect, the FDA has a goal of ten months from the date of "filing" of a standard NDA for a new molecular entity to review and act on the submission. This review typically takes twelve months from the date the NDA is submitted to FDA because the FDA has approximately two months to make a "filing" decision after it the application is submitted. The FDA conducts a preliminary review of all NDAs within the first 60 days after submission, before accepting them for filing, to determine whether they are sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an NDA for filing. In this event, the NDA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing.

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

provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

Before approving an NDA, the FDA will typically inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCPs. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in the submission and often will request additional testing or information. Notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

After the FDA evaluates an NDA, it will issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the drug with prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete, and the application will not be approved in its present form. A Complete Response Letter usually describes the specific deficiencies in the NDA identified by the FDA and may require additional clinical data, such as an additional pivotal Phase 3 trial or other significant and time-consuming requirements related to clinical trials, nonclinical studies or manufacturing. If a Complete Response Letter is issued, the sponsor must resubmit the NDA, addressing all of the deficiencies identified in the letter, or withdraw the application. Even if such data and information are submitted, the FDA may decide that the NDA does not satisfy the criteria for approval.

If regulatory approval of a product is granted, such approval will be granted for particular indications and may contain limitations on the indicated uses for which such product may be marketed. For example, the FDA may approve the NDA with a Risk Evaluation and Mitigation Strategy, or REMS, to ensure the benefits of the product outweigh its risks. A REMS is a safety strategy to manage a known or potential serious risk associated with a medicine and to enable patients to have continued access to such medicines by managing their safe use, and could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries, and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling or the development of adequate controls and specifications. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing requirements is not maintained or if problems occur after the product reaches the marketplace. The FDA may also require one or more Phase 4 post-market studies and surveillance to further assess and monitor the product's safety and effectiveness after commercialization, and may limit further marketing of the product based on the results of these post-marketing studies. In addition, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could impact the timeline for regulatory approval or otherwise impact ongoing development programs.

Expedited Development and Review Programs

The FDA has a number of programs intended to expedite the development or review of products that meet certain criteria. For example, new drugs are eligible for Fast Track designation if they are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the disease or condition. Fast Track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a Fast Track product has opportunities for more frequent interactions with the review team during product development, and the FDA may consider for review sections of the NDA on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the NDA, the FDA agrees to accept sections of the NDA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the NDA.

Any product submitted to the FDA for approval, including a product with a Fast Track designation, may also be eligible for other types of FDA programs intended to expedite development and review, such as priority review and accelerated approval. A product is eligible for priority review if it has the potential to provide safe and effective therapy where no satisfactory alternative therapy exists or a significant improvement in the treatment, diagnosis or prevention of a disease compared to marketed products. The FDA will attempt to direct additional resources to the evaluation of an application for a new drug designated for priority review in an effort to facilitate the review. The FDA endeavors to review applications with priority review designations within six months of the filing date as compared to ten months for review of new molecular entity NDAs under its current PDUFA review goals.

In addition, a product may be eligible for accelerated approval. Drug products intended to treat serious or life-threatening diseases or conditions may be eligible for accelerated approval upon a determination that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require that a sponsor of a drug receiving accelerated approval perform adequate and well-controlled post-marketing clinical trials. In addition, the FDA currently requires pre-approval of promotional materials as a condition for accelerated approval, which could adversely impact the timing of the commercial launch of the product.

The Food and Drug Administration Safety and Innovation Act established a category of drugs referred to as “breakthrough therapies” that may be eligible to receive breakthrough therapy designation. A sponsor may seek FDA designation of a product candidate as a “breakthrough therapy” if the product is intended, alone or in combination with one or more other products, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The designation includes all of the Fast Track program features, as well as more intensive FDA interaction and guidance. The breakthrough therapy designation is a distinct status from both accelerated approval and priority review, which can also be granted to the same drug if relevant criteria are met. If a product is designated as breakthrough therapy, the FDA will work to expedite the development and review of such drug.

Fast Track designation, breakthrough therapy designation, priority review, and accelerated approval do not change the standards for approval, but may expedite the development or approval process. Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened. We may explore some of these opportunities for our drug and combination therapy candidates as appropriate.

Post-approval Requirements

Any products manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to record-keeping, reporting of adverse experiences, periodic reporting, product sampling and distribution, and advertising and promotion of the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims, are subject to prior FDA review and approval. There also are continuing, annual program fees for any marketed products. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting requirements upon us and any third-party manufacturers that we may decide to use.

Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance.

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

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or untitled letters;
- clinical holds on clinical studies;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products;
- consent decrees, corporate integrity agreements, debarment or exclusion from federal healthcare programs;
- mandated modification of promotional materials and labeling and the issuance of corrective information;
- the issuance of safety alerts, “dear doctor” letters, press releases and other communications containing warnings or other safety information about the product; or
- injunctions or the imposition of civil or criminal penalties.

The FDA also may require post-marketing testing, known as Phase 4 testing, and surveillance to monitor the effects of an approved product. Discovery of previously unknown problems with a product or the failure to comply with applicable FDA requirements can have negative consequences, including adverse publicity, judicial or administrative enforcement, warning letters from the FDA, mandated corrective advertising or communications with doctors, and civil or criminal penalties, among others. Newly discovered or developed safety or effectiveness data may require changes to a product’s approved labeling, including the addition of new warnings and contraindications, and also may require the implementation of other risk management measures.

The FDA closely regulates the marketing, labeling, advertising and promotion of drug products. A company can make only those claims relating to safety and efficacy, purity and potency that are approved by the FDA and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. Failure to comply with these requirements can result in, among other things, adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe, in their independent professional medical judgment, legally available products for uses that are not described in the product’s labeling and that differ from those tested by us and approved by the FDA. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, restrict manufacturer’s communications on the subject of off-label use of their products. The federal government has levied large civil and criminal fines against companies for alleged improper promotion of off-label use and has enjoined companies from engaging in off-label promotion. The FDA and other regulatory agencies have also required that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed. However, companies may share truthful and not misleading information that is otherwise consistent with a product’s FDA-approved labeling.

In addition, the distribution of prescription pharmaceutical products is subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution.

Marketing Exclusivity

Market exclusivity provisions authorized under the FDCA can delay the submission or the approval of certain marketing applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to obtain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not approve or even accept for review an abbreviated new drug application, or ANDA, or an NDA submitted under Section 505(b)(2), or 505(b)(2) NDA, submitted by another company for another drug based on the same active moiety, regardless of whether the drug is intended for the same indication as the original innovative drug or for another indication, where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement to one of the patents listed with the FDA by the innovator NDA holder.

The FDCA alternatively provides three years of marketing exclusivity for an NDA, or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the modification for which the drug received approval on the basis of the new clinical investigations and does not prohibit the FDA from approving ANDAs or 505(b)(2) NDAs for drugs containing the active agent for the original indication or condition of use. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to any preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

Foreign Government Regulation

Our product candidates will be subject to similar laws and regulations imposed by jurisdictions outside of the United States, and, in particular, Europe, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals.

In order to market our future product candidates in the European Economic Area (which is comprised of the 28 Member States of the EU plus Norway, Iceland and Liechtenstein), or the EEA, and many other foreign jurisdictions, we must obtain separate regulatory approvals. More concretely, in the EEA, medicinal product candidates can only be commercialized after obtaining a Marketing Authorization, or MA, There are two types of marketing authorizations:

- the “Community MA,” which is issued by the European Commission through the Centralized Procedure, based on the opinion of the Committee for Medicinal Product candidates for Human Use of the EMA and which is valid throughout the entire territory of the EEA. The Centralized Procedure is mandatory for certain types of product candidates, such as biotechnology medicinal product candidates, orphan medicinal product candidates and medicinal product candidates indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, auto-immune and viral diseases. The Centralized Procedure is optional for product candidates containing a new active substance not yet authorized in the EEA, or for product candidates that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the EU; and

- "National MAs," which are issued by the competent authorities of the Member States of the EEA and only cover their respective territory, are available for product candidates not falling within the mandatory scope of the Centralized Procedure. Where a product has already been authorized for marketing in a Member State of the EEA, this National MA can be recognized in another Member State through the Mutual Recognition Procedure. If the product has not received a National MA in any Member State at the time of application, it can be approved simultaneously in various Member States through the Decentralized Procedure.

Under the above described procedures, before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

Data and marketing exclusivity. In the EEA, new product candidates authorized for marketing, or reference product candidates, qualify for eight years of data exclusivity and an additional two years of market exclusivity upon marketing authorization. The data exclusivity period prevents generic or biosimilar applicants from relying on the preclinical and clinical trial data contained in the dossier of the reference product when applying for a generic or biosimilar marketing authorization in the EU during a period of eight years from the date on which the reference product was first authorized in the EU. The market exclusivity period prevents a successful generic or biosimilar applicant from commercializing its product in the EU until 10 years have elapsed from the initial authorization of the reference product in the EU. The 10-year market exclusivity period can be extended to a maximum of eleven years if, during the first eight 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 with existing therapies.

Adaptive pathways. The EMA has an adaptive pathways program which allows for early and progressive patient access to a medicine. The adaptive pathways concept is an approach to medicines approval that aims to improve patients' access to medicines in cases of high unmet medical need. To achieve this goal, several approaches are envisaged: identifying small populations with severe disease where a medicine's benefit-risk balance could be favorable; making more use of real-world data where appropriate to support clinical trial data; and involving health technology assessment bodies early in development to increase the chance that medicines will be recommended for payment and ultimately covered by national healthcare systems. The adaptive pathways concept applies primarily to treatments in areas of high medical need where it is difficult to collect data via traditional routes and where large clinical trials would unnecessarily expose patients who are unlikely to benefit from the medicine. The approach builds on regulatory processes already in place within the existing EU legal framework. These include: scientific advice; compassionate use; the conditional approval mechanism (for medicines addressing life-threatening conditions); patient registries and other pharmacovigilance tools that allow collection of real-life data and development of a risk-management plan for each medicine.

The adaptive pathways program does not change the standards for the evaluation of benefits and risks or the requirement to demonstrate a positive benefit-risk balance to obtain marketing authorization.

PRIME scheme. In July 2016, the EMA launched the PRIME scheme. PRIME is a voluntary scheme aimed at enhancing the EMA's support for the development of medicines that target unmet medical needs. It is based on increased interaction and early dialogue with companies developing promising medicines, to optimize their product development plans and speed up their evaluation to help them reach patients earlier. Product developers that benefit from PRIME designation can expect to be eligible for accelerated assessment but this is however not guaranteed. The benefits of a PRIME designation includes the appointment of a rapporteur from the Committee for Medicinal Product candidates for Human Use before submission of an MAA, early dialogue and scientific advice at key development milestones, and the potential to qualify product candidates for accelerated review earlier in the application process.

Other U.S. Healthcare Laws

Pharmaceutical companies are subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and foreign jurisdictions in which they conduct their business. Such laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims and physician sunshine laws and regulations. If their operations are found to be in violation of any of such laws or any other governmental regulations that apply, they may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of operations, exclusion from participation in federal and state healthcare programs and individual imprisonment.

Coverage and Reimbursement

Sales of any product depend, in part, on the extent to which such product will be covered by third-party payors, such as federal, state and foreign government healthcare programs, commercial insurance and managed healthcare organizations, and the level of reimbursement for such product by third-party payors. Decisions regarding the extent of coverage and amount of reimbursement to be provided are made on a plan-by-plan basis. These third-party payors are increasingly reducing reimbursements for medical products, drugs and services. In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on coverage and 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 sales of any product. Decreases in third-party reimbursement for any product or a decision by a third-party payor not to cover a product could reduce physician usage and patient demand for the product and also have a material adverse effect on sales.

Healthcare Reform

In the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to the healthcare system. In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA, was signed into law, which substantially changed the way healthcare is financed by both governmental and private insurers in the United States. By way of example, the ACA increased the minimum level of Medicaid rebates payable by manufacturers of brand name drugs from 15.1% to 23.1%; required collection of rebates for drugs paid by Medicaid managed care organizations; imposed a non-deductible annual fee on pharmaceutical manufacturers or importers who sell certain “branded prescription drugs” to specified federal government programs, implemented 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; expanded eligibility criteria for Medicaid programs; creates a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research; and established a Center for Medicare Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. For example, in 2017, Congress enacted the The Tax Cuts and Jobs Act, or the Tax Act, which eliminated the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate.” On December 14, 2018, a Texas U.S. District Court Judge ruled that the individual mandate is a critical and inseverable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. On December 18, 2019, the U.S. Court of Appeals for the 5th Circuit ruled that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. The U.S. Supreme Court is currently reviewing the case,

although it is unclear when the Supreme Court will make a decision. In addition, there may be other efforts to challenge, repeal or replace the ACA.

Other legislative changes have been proposed and adopted since the ACA was enacted, including aggregate reductions of Medicare payments to providers of 2% per fiscal year and reduced payments to several types of Medicare providers, which will remain in effect through 2030 absent additional congressional action, with the exception of a temporary suspension from May 1, 2020 through March 31, 2021. Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted legislation designed, among other things, to bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for pharmaceutical products. In addition, individual states in the United States have also become increasingly active in implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures and, in some cases, mechanisms to encourage importation from other countries and bulk purchasing. Furthermore, there has been increased interest by third party payors and governmental authorities in reference pricing systems and publication of discounts and list prices.

Data Privacy and Security Laws

Numerous state, federal and foreign laws govern the collection, dissemination, use, access to, confidentiality and security of health-related information. In the United States, numerous federal and state laws and regulations, including state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws and regulations (e.g., Section 5 of the Federal Trade Commission Act, or FTC Act), govern the collection, use, disclosure, and protection of health-related and other personal information could apply to our operations or the operations of our partners. State laws may be more stringent, broader in scope or offer greater individual rights with respect to protected health information, or PHI, than the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and state laws may differ from each other, which may complicate compliance efforts. Entities that are found to be in violation of HIPAA, as the result of a breach of unsecured PHI, a complaint about privacy practices, or an audit by U.S. Department of Health and Human Services, or HHS, may be subject to significant civil, criminal, and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance.

Even when HIPAA does not apply, according to the Federal Trade Commission, or FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal information secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Individually identifiable health information is considered sensitive data that merits stronger safeguards.

In addition, certain state and non-U.S. laws, such as the GDPR, govern the privacy and security of health information in certain circumstances, some of which are more stringent than HIPAA and many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts. Failure to comply with these laws, where applicable, can result in the imposition of significant civil and/or criminal penalties and private litigation. For example, California recently enacted legislation, the CCPA, which went into effect January 1, 2020. The CCPA, among other things, creates new data privacy obligations for covered companies and provides new privacy rights to California residents, including the right to opt out of certain disclosures of their information. The CCPA also creates a private right of action with statutory damages for certain data breaches, thereby potentially increasing risks associated with a data breach. Further, the CPRA was recently voted into law by California residents, which significantly amends the CCPA, and imposes

additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data. It also creates a new California data protection agency specifically tasked to enforce the law, which would likely result in increased regulatory scrutiny of California businesses in the areas of data protection and security. The substantive requirements for businesses subject to the CPRA will go into effect on January 1, 2023, and become enforceable on July 1, 2023.

In Europe, we are subject to laws relating to our and our suppliers', vendors', partners' and subcontractors' collection, control, processing and other use of personal data (i.e., any data relating to an identifiable living individual, whether that individual can be identified directly or indirectly). We are subject to the supervision of local data protection authorities in those jurisdictions where we are established, where we offer goods or services to EEA and United Kingdom residents and where we monitor the behavior of individuals within the EEA or the United Kingdom (i.e., undertaking clinical trials). We and our suppliers, partners and subcontractors process personal data including in relation to our employees, employees of customers, clinical trial patients, healthcare professionals and employees of suppliers including health and medical information. The data privacy regime in the EEA and the United Kingdom includes the GDPR, the e-Privacy Directive and the e-Privacy Regulation (once in force) and the national laws and regulations implementing or supplementing each of them.

The GDPR requires that personal data is only collected for specified, explicit and legal purposes as set out in the GDPR or local laws, and the data may then only be processed in a manner consistent with those purposes. The personal data collected and processed must be adequate, relevant and not excessive in relation to the purposes for which it is collected and processed, it must be held securely, not transferred outside of the EEA (unless certain steps are taken to ensure an adequate level of protection), and must not be retained for longer than necessary for the purposes for which it was collected. In addition, the GDPR requires companies processing personal data to take certain organizational steps to ensure that they have adequate records, policies, security, training and governance frameworks in place to ensure the protection of data subject rights, including as required to respond to complaints and requests from data subjects. For example, the GDPR requires us to make more detailed disclosures to data subjects, requires disclosure of the legal basis on which we can process personal data, makes it harder for us to obtain valid consent for processing, requires the appointment of a data protection officer where sensitive personal data (*e.g.*, health data) is processed on a large scale, introduces mandatory data breach notification throughout the EEA and imposes additional obligations on us when we are contracting with service providers.

In addition, to the extent a company processes, controls or otherwise uses "special category" personal data (including patients' health or medical information, genetic information and biometric information), more stringent rules apply, further limiting the circumstances and the manner in which a company is legally permitted to process that data. Finally, the GDPR provides a broad right for EU and EEA member states to create supplemental national laws which may result in divergence across Europe making it harder to maintain a consistent operating model or standard operating procedures. Such laws, for example, may relate to the processing of health, genetic and biometric data, which could further limit our ability to use and share such data or could cause our costs to increase, and harm our business and financial condition.

We depend on a number of third parties in relation to the provision of our services, a number of which process personal data on our behalf. It is our policy to enter into contractual arrangements with each such provider to ensure that they only process personal data according to our instructions, and that they have sufficient technical and organizational security measures in place. Where we transfer personal data outside the EEA, we do so in compliance with the relevant data export requirements from time to time. We take our data protection obligations seriously, as any improper, unlawful or accidental disclosure, loss, alteration or access to, personal data, particularly sensitive personal data (i.e., special category), could negatively impact our business and/or our reputation.

We are also subject to EU laws on personal data export, as we may transfer personal data from the EEA to other jurisdictions which are not considered by the European Commission to offer adequate protection of

personal data. Such transfers need to be legitimized by a valid transfer mechanism under the GDPR. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States: on July 16, 2020, the Court of Justice of the European Union, or CJEU, invalidated the EU-US Privacy Shield Framework, or Privacy Shield, under which personal data could be transferred from the EEA to US entities who had self-certified under the Privacy Shield scheme. While the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances. GDPR increases financial penalties for noncompliance (including possible fines of up to four percent of global annual revenue for the preceding financial year or €20 million (whichever is higher) for the most serious violations). Relatedly, following the departure of the United Kingdom from the EU after the expiry of the transition period on January 1, 2021, the United Kingdom will operate a separate but similar regime to the EU which we will have to comply with (with respect to any United Kingdom activities) and allows for fines of up to £17.5 million or 4% of the total worldwide annual turnover of the preceding financial year (whichever is higher).

Employees

As of December 31, 2020, we had 30 full-time employees, all of whom are engaged in research and development activities, operations, finance and administration. Sixteen of our employees hold doctorate degrees (Ph.D., M.D. or Pharm.D.).

Property and Facilities

We lease approximately 9,750 square feet of space for our current headquarters in Foster City, California under an agreement that expires in June 2022. We also lease approximately 3,500 square feet of space for our current China office in Shanghai, China under an agreement that expires in May 2021, as well as approximately 6,000 square feet of space for our CMC chemistry, manufacturing and controls lab in Suzhou, China under an agreement that expires in September 2022. We believe that our existing facilities are adequate to meet our current needs, and that suitable additional alternative spaces will be available in the future on commercially reasonable terms.

Legal Proceedings

As of the date of this prospectus, we were not subject to any legal proceedings. From time to time, we may be involved in legal proceedings or subject to claims incident to the ordinary course of business. Regardless of the outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

MANAGEMENT

The following table sets forth information regarding our executive officers and directors as of January 15, 2021:

NAME	AGE	POSITION(S)
Executive Officers		
Senthil Sundaram	42	Chief Executive Officer and Director
Erin Quirk, M.D.	50	President and Chief Medical Officer
Mark Vignola, Ph.D.	43	Chief Financial Officer
Bryan Yoon, Esq.	43	Chief Operating Officer and General Counsel
Weidong Zhong, Ph.D.	55	Chief Scientific Officer and Chairman
Non-Employee Directors		
David Fellows	64	Director
Carl Gordon, Ph.D., C.F.A	56	Director
Jeffrey Kindler, Esq.	65	Director
Hongbo Lu, Ph.D.	49	Director
Jill Quigley, Esq.	45	Director
Yi Shi, Ph.D., MBA(3)	48	Director
Elise Wang, MBA(4)	61	Director

(1) Member of our audit committee.
(2) Member of our compensation committee.
(3) Dr. Shi is expected to resign from our board of directors prior to the effectiveness of the registration statement of which this prospectus is a part.
(4) Ms. Wang is expected to resign from our board of directors prior to the effectiveness of the registration statement of which this prospectus is a part.

Executive Officers

Senthil Sundaram has served as a member of our board of directors and as our Chief Executive Officer since July 2020. Previously, he served as the Chief Financial Officer of Nightstar Therapeutics, plc, a publicly-traded biotechnology company, from April 2017 to June 2019. From February 2013 to March 2017, Mr. Sundaram served in roles of increasing responsibility at Intercept Pharmaceuticals, Inc., a publicly-traded biotechnology company, most recently as the Head of Business Development. He currently serves on the board of directors of Sio Gene Therapies, Inc. (formerly Axovant Gene Therapies Ltd.), a publicly-traded biotechnology company. Mr. Sundaram received his undergraduate degrees in Computer Engineering and Economics from Brown University. We believe Mr. Sundaram is qualified to serve on our board of directors due to his extensive experience as an executive and director of public companies in the biotechnology industry.

Erin Quirk, M.D. has served as our Chief Medical Officer since January 2019, and our President since June 2020. She previously served in roles of increasing responsibility at Gilead Sciences, Inc., a publicly-traded biopharmaceutical company, from July 2010 to September 2018, most recently as Vice President of HIV Clinical Research. Dr. Quirk received her undergraduate degree in Biology and English Literature from Drew University and her M.D. from the University of Colorado School of Medicine. She completed her Residency in Internal Medicine and a Fellowship in Infectious Diseases at Barnes-Jewish Hospital, Washington University.

Mark Vignola, Ph.D. has served as our Chief Financial Officer since August 2020. Previously, he served as the Chief Financial Officer of Applied Therapeutics, Inc., a publicly-traded biotechnology company, from April 2019 to May 2020. Before that, Dr. Vignola served in roles of increasing responsibility at Intercept Pharmaceuticals, Inc., a publicly-traded biotechnology company, most recently as the Head of Corporate and Investor Relations. Dr. Vignola received his undergraduate degree in Biology from Boston College and Ph.D. in Molecular Genetics & Microbiology from Duke University.

Bryan Yoon, Esq. has served as our Chief Operating Officer and General Counsel since November 2020. From November 2019 to November 2020, he served as the Chief Administrative Officer, General Counsel and Secretary of LogicBio Therapeutics, Inc. a publicly-traded biotechnology company. Before that, he served as the General Counsel and Corporate Secretary at Nightstar Therapeutics, plc, a publicly-traded biotechnology company, from November 2017 to June 2019. Prior to joining Nightstar, Mr. Yoon served in roles of increasing responsibility at Intercept Pharmaceuticals, Inc., a publicly-traded biotechnology company, where he most recently was Senior Vice President, Legal Affairs and Corporate Secretary. Mr. Yoon received his undergraduate degree in Economics and Master of Engineering in Operations Research and Industrial Engineering from Cornell University and his J.D. from University of Michigan Law School.

Weidong Zhong, Ph.D. has served as our Chief Scientific Officer since July 2020 and a member of our board of directors since April 2017, and is one of our founders. He previously served as our Chief Executive Officer from April 2017 to July 2020. Before that, Dr. Zhong served as the Head of Antiviral Research from September 2011 to March 2017 at Novartis Institute for BioMedical Research, a research division of Novartis International AG, a publicly-traded biotechnology company. Dr. Zhong received his undergraduate degree in Molecular Biology from the University of Science and Technology of China and his Ph.D. in Biochemistry from the University of Wisconsin, Madison. We believe Dr. Zhong is qualified to serve on our board of directors due to his scientific expertise and his experience as an executive in drug discovery and development in the biotechnology industry, as well as his experience as a founding member of our company.

Non-Employee Directors

David Fellows has served as a member of our board of directors since December 2020. Mr. Fellows served as the Chief Executive Officer of Nightstar Therapeutics plc, a publicly-traded biotechnology company, from January 2015, and as a member of its board of directors from September 2017, until its acquisition by Biogen Inc., a publicly-traded biotechnology company, in July 2019. Before that, he served as the Vice President of Vision Care at Johnson & Johnson, from September 2005 to December 2014. Mr. Fellows has served on the board of the non-profit Glaucoma Foundation since May 2006. Mr. Fellows received his undergraduate degree in Psychology from Butler University. We believe Mr. Fellows is qualified to serve on our board of directors due to his extensive experience as an executive of companies in the biotechnology industry.

Carl Gordon, Ph.D., CFA has served as a member of our board of directors since October 2018. Dr. Gordon co-founded OrbiMed Advisors LLC and is the Managing Partner and Co-Head of Global Private Equity, roles he has held since 1998. Dr. Gordon currently serves on the boards of directors of Adicet Bio, Inc., Keros Therapeutics, Inc., ORIC Pharmaceuticals, Inc., Prevail Therapeutics Inc. and Turning Point Therapeutics, Inc., all publicly-traded companies, as well as several private companies. Dr. Gordon previously served on the boards of directors of several biopharmaceutical companies, including Alector, Inc., Arsanis, Inc. (which merged with X4 Pharmaceuticals, Inc.), Acceleron Pharma Inc., ARMO Biosciences, Inc., Intellia Therapeutics, Inc., Passage Bio, Inc., Selecta Biosciences, Inc. and SpringWorks Therapeutics, Inc. Dr. Gordon received his undergraduate degree in Chemistry from Harvard College, his Ph.D. in Molecular Biology from the Massachusetts Institute of Technology and was a Fellow at The Rockefeller University. We believe that Dr. Gordon is qualified to serve on our board of directors due to his scientific expertise, extensive business experience and experience in venture capital and the life science industry.

Jeffrey Kindler, Esq. has served as a member of our board of directors since December 2020. Mr. Kindler has served as an operating partner of ARTIS Ventures, a venture investment firm, since January 2020 and as the Chief Executive Officer of Centrexion Therapeutics, a private biopharmaceutical company, since October 2013. Mr. Kindler has served on the board of directors of Perrigo Company plc since February 2017, PPD, Inc. from March 2012 and Precigen, Inc. since November 2011, all publicly-traded companies. Mr. Kindler previously served on the board of vTv Therapeutics Inc., a publicly-traded biotechnology company, from July 2015 to December 2020 and SIGA Technologies, Inc., a publicly-traded pharmaceutical company, from March 2013 to June 2020. Mr. Kindler received his undergraduate degree from Tufts University and J.D. from Harvard

University. We believe Mr. Kindler is qualified to serve on our board of directors due to his extensive experience as an executive and director of companies in the biotechnology industry.

Hongbo Lu, Ph.D. has served as a member of our board of directors since April 2020. She has served as a Managing Partner at Vivo Capital, venture capital firm, since January 2021. She previously served as a Managing Partner of Lilly Asia Ventures, a venture capital firm, from January 2017 to December 2020. From June 2011 to October 2016, she served as a Managing Director at OrbiMed Advisors LLC. Dr. Lu currently serves on the board of directors of several private biotechnology companies, such as PINS Medical, Inc., Elpiscience and Geneception. She previously served on the board of directors of public companies including Turning Point Therapeutics, Inc., a publicly-traded biotechnology company, from May 2017 to May 2019, and on the board of directors of Avedro, Inc., a publicly-traded biotechnology company, from May 2018 to February 2019. Dr. Lu received her undergraduate degree in Material Science and Engineering from Tsinghua University, China, her Ph.D. in Biological Engineering from the University of Washington and her MBA from the University of California, Berkeley. We believe Dr. Lu is qualified to serve on our board of directors due to her experience as a director of public and private companies in the biotechnology industry and experience in venture capital and the life science industry.

Jill Quigley, Esq. has served as a member of our board of directors since December 2020. Ms. Quigley has served as the Chief Operating Officer of Passage Bio, a publicly-traded biopharmaceutical company, since November 2018. Previously, she served as the Interim Chief Executive Officer and General Counsel of Nutrinia, Inc., from January 2016 to November 2018. From July 2012 to January 2016, Ms. Quigley served in various roles at Shire plc, most recently as Senior Legal Counsel. Ms. Quigley received her undergraduate degree in Communications, Legal Institutions, Economics & Governance (CLEG) from American University and J.D. from Rutgers School of Law. We believe Ms. Quigley is qualified to serve on our board of directors due to her extensive experience as an executive of companies in the biotechnology industry.

Yi Shi, Ph.D, MBA has served as a member of our board of directors since April 2017. He has served as the Managing Partner of Lilly Asia Ventures, a venture capital firm, since June 2011. Dr. Shi currently serves on the board of directors of Beida Pharmaceutical Co., Ltd., a publicly-traded biotechnology company. He also serves on the board of directors of several private biotechnology companies, including Ansun Biopharma, Transcenta Holding, Elpiscience and Scineuro. Dr. Shi received his undergraduate degree in Biology from the University of Science and Technology China and his MBA and Ph.D. from Duke University. We believe Dr. Shi is qualified to serve on our board of directors due to his experience as a director of public and private companies in the biotechnology industry and experience in venture capital and the life science industry.

Elise Wang, MBA has served as a member of our board of directors since December 2020. Ms. Wang has served as a Principal and Partner of the Public Structured Finance group at Deerfield Management Company since March 2010. Ms. Wang served on the board of directors of Orchard Therapeutics plc, a publicly-traded biotechnology company, from August 2018 to October 2018. Ms. Wang received her undergraduate degree in Engineering Sciences from Harvard-Radcliffe University and her MBA from Harvard Business School. We believe Ms. Wang is qualified to serve on our board of directors due to her extensive experience in the biotechnology industry.

Family Relationships

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

Board Composition

Director Independence

Our board of directors currently consists of 9 members. Our board of directors has determined that all of our directors, other than Mr. Sundaram and Dr. Zhong, qualify as “independent” directors in accordance with The

Nasdaq Stock Market LLC, or Nasdaq, Marketplace Rules, or the Nasdaq Listing Rules. Mr. Sundaram and Dr. Zhong are not considered independent because they are executive officers of our company. Under the Nasdaq Listing Rules, the definition of independence includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his or her family members has engaged in various types of business dealings with us. In addition, as required by the Nasdaq Listing Rules, our board of directors has made a subjective determination as to each independent director that no relationships exists that, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our board of directors reviewed and discussed information provided by the directors and us with regard to each director's relationships as they may relate to us and our management.

Classified Board of Directors

In accordance with our amended and restated certificate of incorporation, which will be effective immediately prior to the completion of this offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- The Class I directors will be , and , and their terms will expire at the annual meeting of stockholders to be held in 2022;
- The Class II directors will be , and , and their terms will expire at the annual meeting of stockholders to be held in 2023; and
- The Class III directors will be , and , and their terms will expire at the annual meeting of stockholders to be held in 2024.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

Voting Arrangements

The election of the members of our board of directors is currently governed by the amended and restated voting agreement that we entered into with certain holders of our common stock and convertible preferred stock and the related provisions of our amended and restated certificate of incorporation. Pursuant to our amended and restated voting agreement and amended and restated certificate of incorporation, our current directors were elected as follows:

- Dr. Gordon, Dr. Lu, Dr. Shi and Ms. Wang were elected as the designees of entities affiliated with OrbiMed Advisors LLC, Vivo Capital, Lilly Asia Ventures and Deerfield respectively; and
- Mr. Sundaram was elected and designated as our then-serving and current Chief Executive Officer.

Our amended and restated voting agreement will terminate and the provisions of our current amended and restated certificate of incorporation by which our directors were elected will be amended and restated in connection with this offering. After this offering, the number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering. Each of our current directors will continue to serve as a director until the election and qualification of his or her successor, or until his or her earlier death, resignation or removal.

Leadership Structure of the Board

Our amended and restated bylaws and corporate governance guidelines provide our board of directors with flexibility to combine or separate the positions of Chairman of the board of directors and Chief Executive Officer.

Our board of directors has concluded that our current leadership structure is appropriate at this time. However, our board of directors will continue to periodically review our leadership structure and may make such changes in the future as it deems appropriate.

Role of Board in Risk Oversight Process

Risk assessment and oversight are an integral part of our governance and management processes. Our board of directors encourages management to promote a culture that incorporates risk management into our corporate strategy and day-to-day business operations. Management discusses strategic and operational risks at regular management meetings, and conducts specific strategic planning and review sessions during the year that include a focused discussion and analysis of the risks facing us. Throughout the year, senior management reviews these risks with the board of directors at regular board meetings as part of management presentations that focus on particular business functions, operations or strategies, and presents the steps taken by management to mitigate or eliminate such risks.

Our board of directors does not have a standing risk management committee, but rather administers this oversight function directly through our 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. While our board of directors is responsible for monitoring and assessing strategic risk exposure, our audit committee is responsible for overseeing our major financial risk exposures and the steps our management has taken to monitor and control these exposures. The audit committee also approves or disapproves any related person transactions. Our nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines. 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. Our board of directors may establish other committees to facilitate the management of our business. The composition and functions of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Each committee intends to adopt a written charter that satisfies the applicable rules and regulations of the SEC and Nasdaq Listing Rules, which we will post on our website at www.ternspharma.com upon the completion of this offering. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website.

Audit Committee

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, the audit committee:

- appoints our independent registered public accounting firm;
- evaluates the independent registered public accounting firm's qualifications, independence and performance;
- determines the engagement of the independent registered public accounting firm;

- reviews and approves the scope of the annual audit and pre-approves the audit and non-audit fees and services;
- reviews and approves all related party transactions on an ongoing basis;
- establishes procedures for the receipt, retention and treatment of any complaints received by us regarding accounting, internal accounting controls or auditing matters;
- discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly financial statements;
- approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;
- discusses on a periodic basis, or as appropriate, with our management's policies and procedures with respect to risk assessment and risk management;
- consults with management to establish procedures and internal controls relating to cybersecurity;
- is responsible for reviewing our financial statements and our management's discussion and analysis of financial condition and results of operations to be included in our annual and quarterly reports to be filed with the SEC;
- investigates any reports received through the ethics helpline and reports to the board of directors periodically with respect to any information received through the ethics helpline and any related investigations; and
- reviews the audit committee charter and the audit committee's performance on an annual basis.

Our audit committee consists of , and . Our board of directors has determined that all members are independent under the Nasdaq Listing Rules and Rule 10A-3(b)(1) of the Exchange Act. The chair of our audit committee is . Our board of directors has determined that and are each an "audit committee financial expert" as such term is currently defined in Item 407(d)(5) of Regulation S-K. Our board of directors has also determined that each member of our audit committee can read and understand fundamental consolidated financial statements, in accordance with applicable requirements.

Compensation Committee

Our compensation committee oversees policies relating to compensation and benefits of our officers and employees. The compensation committee reviews and approves or recommends corporate goals and objectives relevant to compensation of our executive officers (other than our Chief Executive Officer), evaluates the performance of these officers in light of those goals and objectives and approves the compensation of these officers based on such evaluations. The compensation committee also reviews and approves or makes recommendations to our board of directors regarding the issuance of stock options and other awards under our stock plans to our executive officers (other than our Chief Executive Officer). The compensation committee reviews the performance of our Chief Executive Officer and makes recommendations to our board of directors with respect to his compensation, and our board of directors retains the authority to make compensation decisions relative to our Chief Executive Officer. The compensation committee will review and evaluate, on an annual basis, the compensation committee charter and the compensation committee's performance.

Our compensation committee consists of , and . Our board of directors has determined that all members are independent under the Nasdaq Listing Rules and are "non-employee directors" as defined in Rule 16b-3 promulgated under the Exchange Act. The chair of our compensation committee is .

Nominating and Corporate Governance Committee

The nominating and corporate governance committee is responsible for making recommendations to our board of directors regarding candidates for directorships and the size and composition of our board of directors.

In addition, the nominating and corporate governance committee is responsible for overseeing our corporate governance policies and making recommendations to our board of directors concerning governance matters.

Our nominating and corporate governance committee consists of , and . Our board of directors has determined that all members of the nominating and corporate governance committee are independent under the Nasdaq Listing Rules. The chair of our nominating and corporate governance committee is .

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee is currently, or has been at any time, one of our executive officers or employees. None of our executive officers currently serves, or has served during the last year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or on our compensation committee.

Board Diversity

Upon consummation of this offering, our nominating and corporate governance committee will be responsible for reviewing with the board of directors, on an annual basis, the appropriate characteristics, skills and experience required for the board of directors as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current members), the nominating and corporate governance committee, in recommending candidates for election, and the board of directors, in approving (and, in the case of vacancies, appointing) such candidates, may take into account many factors, including but not limited to the following:

- personal and professional integrity;
- ethics and values;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- professional and academic experience relevant to our industry;
- experience as a board member of another publicly held company;
- strength of leadership skills;
- experience in finance and accounting and/or executive compensation practices;
- ability to devote the time required for preparation, participation and attendance at board of directors meetings and committee meetings, if applicable;
- background, gender, age and ethnicity;
- conflicts of interest; and
- ability to make mature business judgments.

Following the consummation of this offering, our board of directors will evaluate each individual in the context of the board of directors as a whole, with the objective of ensuring that the board of directors, as a whole, has the necessary tools to perform its oversight function effectively in light of our business and structure.

Code of Business Conduct and Ethics

In connection with this offering, we intend to adopt a written code of business conduct and ethics that applies to all of our directors, officers and employees, including those officers responsible for financial reporting.

The full text of our code of business conduct and ethics will be posted on our website at www.ternspharma.com upon the completion of this offering. Any substantive amendment to, or waiver of, a provision of the code of business conduct and ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, will be disclosed on our website.

Limitation on Liability and Indemnification Matters

Our amended and restated certificate of incorporation and our amended and restated bylaws, both of which will become effective immediately prior to the completion of this offering, limit our directors' liability, and provide that we may indemnify our directors and officers to the fullest extent permitted under Delaware General Corporation Law, or the DGCL. The DGCL 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;
- 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.

These limitations of liability do not apply to liabilities arising under federal securities laws and do not affect the availability of equitable remedies such as injunctive relief or recession.

The DGCL 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 advancement, direct 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 indemnification 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 a director or officer, or any other company or enterprise to which the person provides services at our request.

We also 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 and restated 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

This section discusses the material components of the executive compensation program for our 2020 named executive officers. Our named executive officers for fiscal year 2020 are:

- Senthil Sundaram, our Chief Executive Officer;
- Mark Vignola, Ph.D., our Chief Financial Officer; and
- Erin Quirk, M.D., our President and Chief Medical Officer.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion. As an "emerging growth company" as defined in the JOBS Act, we are not required to include a Compensation Discussion and Analysis section and have elected to comply with the scaled disclosure requirements applicable to emerging growth companies.

2020 Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the year ended December 31, 2020.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation(2)	Total ($)
Senthil Sundaram(3) *Chief Executive Officer*	2020	208,333	150,000(4)	9,885,905	—	10,244,238
Mark Vignola, Ph.D.(5). *Chief Financial Officer*	2020	110,000	—	2,214,130	—	2,324,130
Erin Quirk, M.D. *President and Chief Medical Officer*	2020	374,325	—	1,676,261	—	2,050,586

(1) Amounts reflect the full grant date fair value of option awards granted during 2020 computed in accordance with ASC Topic 718, rather than the amounts paid to or realized by the named individual. See Note 10 of the unaudited condensed consolidated financial statements included in this prospectus for the assumptions used in calculating these amounts through September 30, 2020.

(2) As of the date of this filing, annual performance-based cash bonus amounts for 2020 have not been determined by our board of directors. Annual bonuses are expected to be finalized by our board of directors in February 2021 based on the achievement of certain corporate performance objectives and will be disclosed on Form 8-K once determined.

(3) Mr. Sundaram commenced his employment effective as of July 30, 2020.

(4) Amount represents a signing and relocation bonus paid to Mr. Sundaram in connection with the commencement of his employment with us as described in the section titled "—Signing and Relocation Bonus" below.

(5) Dr. Vignola commenced his employment with us on September 1, 2020.

Narrative to the Summary Compensation Table

2020 Annual Base Salaries

Our named executive officers each receive a base salary to compensate them for services rendered to our company. The base salary payable to each named executive officer is intended to provide a fixed component of compensation reflecting the executive's skill set, experience, role and responsibilities. During fiscal year 2020, our named executive officers' annual base salaries were as follows:

- Mr. Sundaram: $500,000;
- Dr. Vignola: $330,000; and
- Dr. Quirk: $374,325.

In December 2020, our board of directors approved increasing the base salaries of our named executive officers. Subject to the consummation of this offering, the annual base salaries for Mr. Sundaram, Dr. Vignola and Dr. Quirk will be $515,000, $375,000 and $430,000, respectively.

2020 Annual Performance Bonuses

We maintain an annual performance-based cash bonus program in which each of our named executive officers participated in 2020. Each named executive officer's target bonus is expressed as a percentage of base salary, and bonus payments are determined based on achievement of certain performance goals approved by our board of directors. The 2020 annual bonus for Mr. Sundaram was targeted at 45% of annual base salary, the 2020 annual bonus for Dr. Vignola was targeted at 30% of his annual base salary and the 2020 annual bonus for Dr. Quirk was targeted at 35% of her base salary. In December 2020, in connection with this offering, our board of directors approved increasing the target bonuses of our named executive officers as follows for fiscal 2021, subject to the consummation of this offering: Mr. Sundaram: 50%; Dr. Quirk: 45%; and Dr. Vignola: 40%.

Signing and Relocation Bonus

In order to attract top talent, from time to time, we provide signing and relocation bonuses to external hires. In connection with the hire of Mr. Sundaram in July 2020, we approved a cash signing and relocation bonus in the aggregate amount of $150,000, which was paid within 30 days following his employment start date. In the event Mr. Sundaram resigns for "good reason" or we terminate his employment with us for "cause" (in each case as defined in his offer letter agreement) before the first anniversary of his employment start date, he will be required to repay a prorated portion of his signing and relocation bonus. We believe this signing and relocation bonus arrangement was appropriate as an incentive for Mr. Sundaram to join us and remain employed through the first anniversary of his employment start date.

Equity Compensation

We have granted stock options to our employees, including our named executive officers, in order to attract and retain them, as well as to align their interests with the interests of our stockholders. In order to provide a long-term incentive, these stock options generally vest over four years subject to continued service to the company.

In connection with this offering, we will adopt the 2021 Incentive Award Plan, or the 2021 Plan, in order to facilitate the grant of cash and equity incentives to directors, employees (including our named executive officers) and consultants of our company and certain of its affiliates and to enable us to obtain and retain services of these individuals, which is essential to our long-term success. The 2021 Plan will be effective on the date immediately prior to the date the registration statement relating to this offering becomes effective. For additional information about the 2021 Plan, please see the section titled "—Equity Compensation Plans—2021 Incentive Award Plan" below.

Other Elements of Compensation

Retirement Savings and Health and Welfare Benefits

Our employees, including our named executive officers, who satisfy certain eligibility requirements are eligible to participate in a 401(k) plan maintained by TriNet, a professional employer organization that is the legal employer of our employees. Our named executive officers are eligible to participate in the 401(k) plan on the same terms as other full-time employees. For each participant, we make matching contributions to the 401(k) plan equal to 100% of the first 3% of eligible compensation contributed each year, up to $7,500. We believe that providing a vehicle for tax-deferred retirement savings though our 401(k) plan adds to the overall desirability of our executive compensation package and further incentivizes our employees, including our named executive officers, in accordance with our compensation policies.

All of our full-time employees, including our named executive officers, are eligible to participate in our health and welfare plans, which are provided through TriNet. These health and welfare plans include medical, dental and vision benefits; short-term and long-term disability insurance; and supplemental life and AD&D insurance.

Perquisites and Other Personal Benefits

We determine perquisites on a case-by-case basis and will provide a perquisite to a named executive officer when we believe it is necessary to attract or retain the named executive officer. However, in 2020, we did not provide any perquisites or personal benefits to our named executive officers not otherwise made available to our other employees.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the number of shares of common stock underlying outstanding option awards for each named executive officer as of December 31, 2020.

			Option Awards			
Name	Grant Date	Vesting Commencement Date(1)	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Senthil Sundaram	8/13/2020	7/30/2020(2)(3)(4)	5,182,386	—	0.49	8/12/2030
	12/30/2020	12/30/2020(2)(3)(4)	8,106,385	—	0.66	12/29/2030
Mark Vignola	9/10/2020	9/1/2020(2)(3)(4)	1,077,936	—	0.49	9/9/2030
	12/30/2020	12/30/2020(2)(3)(4)	2,111,368	—	0.66	12/29/2030
Erin Quirk	1/11/2019	1/2/2019(2)	475,000	475,000	0.44	1/10/2029
	3/16/2020	1/17/2020	18,333	61,667	0.48	3/15/2030
	7/31/2020	7/1/2020	31,250	218,750	0.49	7/30/2030
	12/30/2020	12/30/2020(2)	4,035,508	—	0.66	12/29/2030

(1) Except as otherwise indicated, 1/48th of the shares subject to each option vest on each monthly anniversary of the vesting commencement date, subject to continued service with us through each vesting date.

(2) 1/4th of the shares subject to each option vest on the 12-month anniversary of the vesting commencement date and 1/48th of the shares subject to the option vest on each monthly anniversary of the vesting commencement date for three years thereafter, subject to continued service with us through each vesting date.

(3) Pursuant to the terms of the named executive officer's offer letter agreement, the shares subject to the option will vest in full in the event of a termination of the executive's employment by us without "cause" or the executive's resignation for "good reason" (each such term as defined in the named executive officer's offer letter agreement), in each case, that occurs after entering into a definitive agreement providing for a change in control and within three months prior to or 12 months following a change in control of our company.

(4) Pursuant to the terms of the named executive officer's offer letter agreement, the named executive officer may early exercise the option for restricted shares, subject to entering into a restricted shares agreement with the Company, provided that such restricted shares shall be subject to the same vesting schedule applicable to the related option award.

Change in Control Policy

On July 31, 2020, we adopted the Terns Pharmaceuticals, Inc. Change in Control Policy (the "CIC Policy") in which our executed officers (including our named executive officers), senior executives with a title of "Vice President" or higher, and other employees designated by our board are eligible to participate. Pursuant to the CIC Policy, 100% of a participant's then-outstanding equity awards will vest in full in the event of a termination of the participant's employment without "cause" or the participant's resignation for "good reason" (each such term generally defined in the same way they are defined in Mr. Sundaram's offer letter agreement), in each case, that occurs after entering into a definitive agreement providing for a change in control and within three months prior to or 12 months following a change in control of our company, subject to the participant's timely execution

and non-revocation of a general release of claims against the Company. If equity awards are subject to performance-based vesting conditions and such performance criteria have not or cannot be determined as of the date of the qualifying termination, such performance criteria shall be deemed to have been achieved at target levels. If a qualifying termination occurs after entering into a definitive agreement providing for a change in control but before the occurrence of an actual change in control event, the acceleration of the participant's equity awards will occur upon the change in control event and not the qualifying termination.

Executive Compensation Arrangements

Offer Letter Agreements

As described below, we have entered into offer letter agreements with each of our named executive officers.

Mr. Sundaram Offer Letter Agreement

On July 24, 2020, we entered into an offer letter agreement with Mr. Sundaram setting forth the terms and conditions of his employment with us. This agreement provides that Mr. Sundaram will serve as our Chief Executive Officer with an annual base salary of $500,000, a target bonus opportunity of 45% of his annual base salary, a one-time signing and relocation bonus of $150,000 and an initial option to purchase 5,182,386 shares of our common stock. The offer letter also provided for Mr. Sundaram the opportunity to be granted an additional option in the event we completed certain financing transactions prior to our initial public offering or a change in control.

In the event Mr. Sundaram resigns for "good reason" or we terminate his employment with us without "cause" (in each case as defined in his offer letter agreement), he is entitled to receive the following benefits, in addition to any accrued obligations and subject to his timely execution and non-revocation of a general release of claims in our favor: (i) continuation of his then-current annual base salary for a period of 12 months, (ii) a prorated portion of his annual performance bonus at 100% of target, (iii) continuation of his healthcare insurance coverage (or an equivalent reimbursement from us) for a period of 12 months and (iv) extended exercisability of certain options for up to three years following his termination of employment. Additionally, in the event Mr. Sundaram resigns for "good reason" or we terminate his employment with us without "cause" following a "potential change in control" and within three months prior to or 12 months following a "change in control" of our company (in each case as defined in his offer letter agreement), he is entitled to receive the following benefits, in addition to any accrued obligations and subject to his timely execution and non-revocation of a general release of claims in our favor: (i) continuation of his then-current annual base salary for a period of 18 months, (ii) a prorated portion of his annual performance bonus at 150% of target, (iii) continuation of his healthcare insurance coverage (or an equivalent reimbursement from us) for a period of 12 months and (iv) full vesting acceleration of all his then-outstanding equity awards.

Mr. Sundaram's offer letter agreement generally defines "cause" to mean the occurrence of any one or more of the following, subject to certain notice and cure rights: (i) the commission of any crime involving fraud, dishonesty or moral turpitude, (ii) the attempted commission of or participation in a fraud or act of dishonesty against us that results in (or might have reasonably resulted in) material harm to the business of our company; (iii) the intentional, material violation of any contract or agreement between him and us or any statutory duty owed to us, or (iv) conduct that constitutes gross insubordination, incompetence or habitual neglect of duties and that results in (or might have reasonably resulted in) material harm to the business of our company.

Mr. Sundaram's offer letter agreement generally defines "good reason" to mean the occurrence of any one or more of the following, without his consent and subject to certain notice and cure rights: (i) the assignment of any duties or responsibilities that results in a material diminution in his function (as in effect immediately prior to the effective date of the change in control transaction, if applicable); (ii) a reduction of greater than 10% in his annual base salary (as in effect on the effective date of the change in control transaction, if applicable); provided,

however, that good reason shall not be deemed to have occurred in the event of a reduction in his annual base salary that is pursuant to a salary reduction program affecting substantially all of our employees and that does not adversely affect him to a greater extent than other similarly situated employees; or (iii) a relocation of his primary business office to a location more than 30 miles from the location of his primary business office (as of the effective date of the change in control transaction, if applicable), except for required travel on our company's business (to an extent substantially consistent with his business travel obligations prior to the effective date of the change in control transaction, if applicable).

Dr. Vignola Offer Letter Agreement

On August 7, 2020, we entered into an offer letter agreement with Dr. Vignola setting forth the terms and conditions of his employment with us. The offer letter provides for Dr. Vignola to serve as our Chief Financial Officer commencing on September 1, 2020 with an annual base salary of $330,000 and a target bonus opportunity of 30% of his annual base salary.

In the event Dr. Vignola resigns for "good reason" or we terminate his employment with us without "cause" (in each case as defined in his offer letter agreement), he is entitled to receive the following benefits, in addition to any accrued obligations and subject to his timely execution and non-revocation of a general release of claims in our favor: (i) continuation of his then-current annual base salary for a period of 12 months, (ii) a prorated portion of his annual performance bonus based on actual performance, (iii) continuation of his healthcare insurance coverage (or an equivalent reimbursement from us) for a period of 12 months, and (iv) the extended exercisability of his options for up to three years following his termination of employment. In the event such resignation or termination occurs following a "potential change in control" and within three months prior to or 12 months following a "change in control" of our company (in each case as defined in his offer letter agreement), then, in addition to the foregoing payments and benefits, Dr. Vignola is entitled to full vesting acceleration of all his then-outstanding equity awards.

Dr. Vignola's offer letter agreement generally defines "cause" and "good reason" in the same way they are defined in Mr. Sundaram's offer letter agreement.

Dr. Quirk Offer Letter Agreement

On August 4, 2020, we entered into an offer letter agreement with Dr. Quirk setting forth the terms and conditions of her continued employment with us. The offer letter provides for Dr. Quirk to continue to serve as our President and Chief Medical Officer with an annual base salary of $374,325 and a target bonus opportunity of 35% of her annual base salary.

In the event Dr. Quirk resigns for "good reason" or we terminate her employment with us without "cause" (in each case as defined in her offer letter agreement), she is entitled to receive the following benefits, in addition to any accrued obligations and subject to her timely execution and non-revocation of a general release of claims in our favor: (i) continuation of her then-current annual base salary for a period of 12 months, (ii) a prorated portion of her annual performance bonus based on actual performance, and (iii) continuation of her healthcare insurance coverage (or an equivalent reimbursement from us) for a period of 12 months.

Dr. Quirk's offer letter agreement generally defines "cause" and "good reason" in the same way they are defined in Mr. Sundaram's offer letter agreement except that Dr. Quirk's offer letter requires a greater distance relocation to trigger "good reason".

New Employment Agreements

In connection with this offering, we intend to enter into new employment agreements with each of our named executive officers, which will become effective as of immediately prior to the effectiveness of the registration statement relating to this offering and supersede in their entirety their previous letter agreements.

Equity Compensation Plans

The following summarizes the material terms of the 2021 Plan we intend to adopt in connection with this offering, in which our named executive officers will be eligible to participate following the consummation of this offering; our 2017 Equity Incentive Plan, or the 2017 Plan, under which we have previously made periodic grants of equity and equity-based awards to our named executive officers and other key employees; and the 2021 Employee Stock Purchase Plan we intend to adopt in connection with this offering to provide our employees an opportunity to purchase shares of our common stock at a discount to fair market value.

2021 Incentive Award Plan

We intend to adopt the 2021 Plan, which will be effective on the date immediately prior to the date our registration statement relating to this offering becomes effective. The principal purpose of the 2021 Plan is to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards. The material terms of the 2021 Plan, as it is currently contemplated, are summarized below.

Share Reserve. Under the 2021 Plan, shares of our common stock will be initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, or SARs, restricted stock awards, restricted stock unit awards, performance bonus awards, performance stock unit awards, dividend equivalents, or other stock or cash based awards. The number of shares initially reserved for issuance or transfer pursuant to awards under the 2021 Plan will be increased by (i) the number of shares represented by awards outstanding under our 2017 Plan, or 2017 Plan Awards, that become available for issuance under the counting provisions described below following the effective date and (ii) an annual increase on the first day of each fiscal year beginning in 2022 and ending in 2031, equal to the lesser of (A) % of the shares of stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (B) such smaller number of shares of stock as determined by our board of directors; provided, however, that no more than shares of stock may be issued upon the exercise of incentive stock options.

The following counting provisions will be in effect for the share reserve under the 2021 Plan:

- to the extent that an award (including a 2017 Plan Award) expires, lapses or is terminated, converted into an award in respect of shares of another entity in connection with a spin-off or other similar event, exchanged for cash, surrendered, repurchased, canceled, in any case, in a manner that results in the Company acquiring the underlying shares at a price not greater than the price paid by the participant or not issuing the underlying shares, such unused shares subject to the award at such time will be available for future grants under the 2021 Plan;
- to the extent shares are tendered or withheld to satisfy the grant, exercise price or tax withholding obligation with respect to any award under the 2021 Plan or 2017 Plan Award, such tendered or withheld shares will be available for future grants under the 2021 Plan;
- to the extent shares subject to stock appreciation rights are not issued in connection with the stock settlement of stock appreciation rights on exercise thereof, such shares will be available for future grants under the 2021 Plan;
- the payment of dividend equivalents in cash in conjunction with any outstanding awards or 2017 Plan Awards will not be counted against the shares available for issuance under the 2021 Plan; and
- shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by us or any of our subsidiaries will not be counted against the shares available for issuance under the 2021 Plan.

In addition, the sum of the grant date fair value of all equity-based awards under the 2021 Plan and all other cash compensation paid by us to any individual for services as a non-employee director during any calendar year may not exceed $1,500,000 for the individual's first year of service and $1,000,000 for each year thereafter.

Administration. The compensation committee of our board of directors is expected to administer the 2021 Plan unless our board of directors assumes authority for administration. The board of directors may delegate its powers to a committee, which, to the extent required to comply with Rule 16b-3, is intended to be comprised of "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act. The 2021 Plan provides that the board or compensation committee may delegate its authority to grant awards other than to individuals subject to Section 16 of the Exchange Act or officers or directors to whom authority to grant awards has been delegated.

Subject to the terms and conditions of the 2021 Plan, the administrator has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject to awards and the terms and conditions of awards, and to make all other determinations and to take all other actions necessary or advisable for the administration of the 2021 Plan. The administrator is also authorized to adopt, amend or rescind rules relating to administration of the 2021 Plan. Our board of directors may at any time remove the compensation committee as the administrator and revest in itself the authority to administer the 2021 Plan. The full board of directors will administer the 2021 Plan with respect to awards to non-employee directors.

Eligibility. Awards under the 2021 Plan may be granted to individuals who are then our officers, employees or consultants or are the officers, employees or consultants of certain of our subsidiaries. Such awards also may be granted to our directors. However, only employees of our company or certain of our subsidiaries may be granted incentive stock options, or ISOs.

Awards. The 2021 Plan provides that the administrator may grant or issue stock options, SARs, restricted stock, restricted stock units, performance bonus awards, performance stock units, other stock- or cash-based awards and dividend equivalents, or any combination thereof. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

- *Nonstatutory Stock Options*, or NSOs, will provide for the right to purchase shares of our common stock at a specified price which may not be less than fair market value on the date of grant, and usually will become exercisable (at the discretion of the administrator) in one or more installments after the grant date, subject to the participant's continued employment or service with us and/or subject to the satisfaction of corporate performance targets and individual performance targets established by the administrator. NSOs may be granted for any term specified by the administrator that does not exceed ten years.
- *Incentive Stock Options* will be designed in a manner intended to comply with the provisions of Section 422 of the Code and will be subject to specified restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price of not less than the fair market value of a share of common stock on the date of grant, may only be granted to employees and must not be exercisable after a period of ten years measured from the date of grant. In the case of an ISO granted to an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of our capital stock, the 2021 Plan provides that the exercise price must be at least 110% of the fair market value of a share of common stock on the date of grant and the ISO must not be exercisable after a period of five years measured from the date of grant.
- *Restricted Stock* may be granted to any eligible individual and made subject to such restrictions as may be determined by the administrator. Restricted stock, typically, may be forfeited for no consideration or repurchased by us at the original purchase price if the conditions or restrictions on vesting are not met. In general, restricted stock may not be sold or otherwise transferred until restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of options, will have voting rights and will have the right to receive dividends, if any, prior to the time when the restrictions lapse, however, extraordinary dividends will generally be placed in escrow, and will not be released until restrictions are removed or expire.
- *Restricted Stock Units* may be awarded to any eligible individual, typically without payment of consideration, but subject to vesting conditions based on continued employment or service or on

performance criteria established by the administrator. Like restricted stock, restricted stock units may not be sold, or otherwise transferred or hypothecated, until vesting conditions are removed or expire. Unlike restricted stock, stock underlying restricted stock units will not be issued until the restricted stock units have vested, and recipients of restricted stock units generally will have no voting or dividend rights prior to the time when vesting conditions are satisfied.

- *Stock Appreciation Rights*, or SARs, may be granted in connection with stock options or other awards, or separately. SARs granted in connection with stock options or other awards typically will provide for payments to the holder based upon increases in the price of our common stock over a set exercise price. The exercise price of any SAR granted under the 2021 Plan must be at least 100% of the fair market value of a share of our common stock on the date of grant. SARs under the 2021 Plan will be settled in cash or shares of our common stock, or in a combination of both, at the election of the administrator.
- *Performance Bonus Awards and Performance Stock Units* are denominated in cash or shares/unit equivalents, respectively, and may be linked to one or more performance or other criteria as determined by the administrator.
- *Other Stock or Cash Based Awards* are awards of cash, fully vested shares of our common stock and other awards valued wholly or partially by referring to, or otherwise based on, shares of our common stock. Other stock or cash based awards may be granted to participants and may also be available as a payment form in the settlement of other awards, as standalone payments and as payment in lieu of base salary, bonus, fees or other cash compensation otherwise payable to any individual who is eligible to receive awards. The administrator will determine the terms and conditions of other stock or cash based awards, which may include vesting conditions based on continued service, performance and/or other conditions.
- *Dividend Equivalents* represent the right to receive the equivalent value of dividends paid on shares of our common stock and may be granted alone or in tandem with awards other than stock options or SARs. Dividend equivalents are converted to cash or shares by such formula and such time as determined by the administrator. In addition, dividend equivalents with respect to an awards subject to vesting will either (i) to the extent permitted by applicable law, not be paid or credited or (ii) be accumulated and subject to vesting to the same extent as the related award.

Any award may be granted as a performance award, meaning that the award will be subject to vesting and/or payment based on the attainment of specified performance goals.

Change in Control. In the event of a change in control, unless the administrator elects to terminate an award in exchange for cash, rights or other property, or cause an award to accelerate in full prior to the change in control, such award will continue in effect or be assumed or substituted by the acquirer, provided that any performance-based portion of the award will be subject to the terms and conditions of the applicable award agreement. In the event the acquirer refuses to assume or replace awards granted, prior to the consummation of such transaction, awards issued under the 2021 Plan (other than any portion subject to performance-based vesting) will be subject to accelerated vesting such that 100% of such awards will become vested and exercisable or payable, as applicable. If a participant's service relationship with the Company is terminated by the Company without Cause or by the participant for Good Reason (each, as defined in the 2021 Plan) within three months prior to or 12 months following a change in control of the Company, then all of the participant's equity awards granted under the 2021 Plan will become fully vested and, if applicable, exercisable and all forfeiture restrictions on such awards will lapse. The administrator may also make appropriate adjustments to awards under the 2021 Plan and is authorized to provide for the acceleration, cash-out, termination, assumption, substitution or conversion of such awards in the event of a change in control or certain other unusual or nonrecurring events or transactions.

Adjustments of Awards. The administrator has broad discretion to take action under the 2021 Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions

and events affecting our common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our stockholders known as "equity restructurings," the administrator will make equitable adjustments to the 2021 Plan and outstanding awards.

Amendment and Termination. The administrator may terminate, amend or modify the 2021 Plan at any time and from time to time. However, we must generally obtain stockholder approval to the extent required by applicable law, rule or regulation (including any applicable stock exchange rule), and generally no amendment may materially and adversely affect any outstanding award without the affected participant's consent. Notwithstanding the foregoing, an option may be amended to reduce the per share exercise price below the per share exercise price of such option on the grant date and options may be granted in exchange for, or in connection with, the cancellation or surrender of options having a higher per share exercise price without receiving additional stockholder approval.

No incentive stock options may be granted pursuant to the 2021 Plan after the tenth anniversary of the effective date of the 2021 Plan, and no additional annual share increases to the 2021 Plan's aggregate share limit will occur from and after such anniversary. Any award that is outstanding on the termination date of the 2021 Plan will remain in force according to the terms of the 2021 Plan and the applicable award agreement.

We have adopted the 2021 Plan, which will be effective on the date immediately prior to the date our registration statement relating to this offering becomes effective. The principal purpose of the 2021 Plan is to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards. The material terms of the 2021 Plan are summarized below.

Share Reserve. Under the 2021 Plan, shares of our common stock will be initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, or SARs, restricted stock awards, restricted stock unit awards, performance bonus awards, performance stock unit awards, dividend equivalents or other stock or cash based awards. The number of shares initially reserved for issuance or transfer pursuant to awards under the 2020 Plan will be increased by (i) the number of shares represented by awards outstanding under our 2017 Plan, or 2017 Plan Awards, that become available for issuance under the counting provisions described below following the effective date and (ii) an annual increase on the first day of each fiscal year beginning in 2022 and ending in 2031, equal to the lesser of (A) % of the shares of stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (B) such smaller number of shares of stock as determined by our board of directors; provided, however, that no more than shares of stock may be issued upon the exercise of incentive stock options.

2017 Equity Incentive Plan

Our board of directors adopted, and our stockholders approved, the 2017 Plan effective as of November 21, 2017. The 2017 Plan was subsequently amended on multiple occasions to increase the number of shares issuable thereunder. The 2017 Plan provides for the grant of ISOs, NSOs, SARs, restricted stock and restricted stock units. As of September 30, 2020, options to purchase 12,963,675 shares of our common stock at a weighted-average exercise price per share of $0.44 and 5,166,667 shares of our common stock subject to restricted stock or restricted stock purchase awards remained outstanding under the 2017 Plan. As of December 31, 2020, options to purchase 22,097,758 shares of our common stock, granted subsequent to September 30, 2020, at a weighted-average exercise price per share of $0.66 remained outstanding under the 2017 Plan. Following this offering and in connection with the effectiveness of our 2021 Plan, the 2017 Plan will terminate and no further awards will be granted under the 2017 Plan. However, all outstanding awards under the 2017 Plan will continue to be governed by their existing terms under the 2017 Plan.

Administration. Our board of directors, or a committee thereof appointed by our board of directors, has the authority to administer the 2017 Plan and grant awards thereunder. The administrator's authority includes the

authority to select the service providers to whom awards will be granted under the 2017 Plan, the number of shares to be subject to those awards and the terms and conditions of those awards. In addition, the administrator has the authority to construe and interpret the 2017 Plan and to adopt rules for the administration, interpretation, and application of the 2017 Plan that are consistent with the terms of the 2017 Plan.

Awards. The 2017 Plan provides that the administrator may grant or issue options, including ISOs and NSOs, SARs, restricted stock and restricted stock units to employees, officers, directors and consultants; provided that only employees may be granted incentive stock options.

- *Stock Options*. The 2017 Plan provides for the grant of options, including ISOs or NSOs. Each option grant will be governed by an option award agreement subject to the 2017 Plan. ISOs may be granted only to employees. NSOs may be granted to employees, officers, directors, and consultants. The exercise price of ISOs granted to employees who at the time of grant own stock representing more than 10% of the voting power of all classes of our common stock may not be less than 110% of the fair market value per share of our common stock on the date of grant, and the exercise price of ISOs granted to any other employees may not be less than 100% of the fair market value per share of our common stock on the date of grant. The exercise price of NSOs to employees, officers, directors or consultants may not be less than 100% of the fair market value per share of our common stock on the date of grant.
- *Stock Appreciation Rights*. The 2017 Plan provides for the grant of SARs. Each SAR will be governed by an SAR award agreement subject to the 2017 Plan. The exercise price of SARs may not be less than 100% of the fair market value per share of our common stock on the date of grant.
- *Restricted Stock Awards*. The 2017 Plan provides for the grant of restricted stock awards. Each restricted stock award will be governed by a restricted share purchase agreement subject to the 2017 Plan, which will, among other things, detail the restrictions on transferability, risk of forfeiture and other restrictions the administrator approves. In general, restricted stock may not be sold, transferred, pledged, hypothecated, margined, or otherwise encumbered until restrictions are removed or expire. Holders of restricted stock, unlike recipients of other equity awards, will have voting rights and will have the right to receive dividends, if any, prior to the time when the restrictions lapse.
- *Restricted Stock Units*. The 2017 Plan provides for the grant of restricted stock unit awards which may be settled in either cash or shares of common stock. Each restricted stock unit award will be governed by a restricted stock unit award agreement subject to the 2017 Plan, that will, among other things, set forth any vesting conditions based on continued employment or service or on performance criteria established by the administrator. Unlike restricted stock, stock underlying restricted stock units will not be issued, if at all, until the restricted stock units have vested. Our board of directors may grant holders of restricted stock units the right to receive dividend equivalent payments on outstanding restricted stock units, provided that payment of such dividend equivalent payments may be delayed until the restricted stock units are settled for shares and may be subject to the same vesting requirements applicable to the restricted stock units.

Adjustments of Awards. In the event of any dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification, or other change in the capital structure of our company affecting shares of our common stock, the administrator will make proportional adjustments to the number of shares available for issuance under the 2017 Plan and the number and exercise or purchase price of shares subject to outstanding awards so as to prevent diminution or enlargement of the benefits intended under the 2017 Plan.

Change in Control. In the event of a merger or change in control of our company, outstanding awards acquired under the 2017 Plan will be subject to the agreement evidencing the merger or change in control transaction, which may provide for non-identical treatment of such awards. Such agreement may provide for outstanding awards to be continued, assumed, substituted, accelerated, settled in cash or equity or cancelled for no consideration, subject to the terms of the 2017 Plan.

Amendment and Termination. Our board of directors may amend or terminate the 2017 Plan, including any forms of award agreement thereunder, at any time, but no amendment will impair the rights of a holder of an outstanding award without the holder's consent. An amendment of the 2017 Plan will be subject to the approval of our stockholders where such approval is required by applicable law. Following this offering and in connection with the effectiveness of our 2021 Plan, the 2017 Plan will terminate and no further awards will be granted under the 2017 Plan provided that awards granted under the 2017 Plan will remain subject to the terms of the 2017 Plan.

2021 Employee Stock Purchase Plan

We intend to adopt the 2021 Employee Stock Purchase Plan, or the ESPP, which will be effective on the date immediately prior to the date the registration statement relating to this offering becomes effective. The ESPP is designed to allow our eligible employees to purchase shares of our common stock, at periodic intervals, with their accumulated payroll deductions. The ESPP is intended to qualify under Section 423 of the Code (except for the "Non-Section 423 Component" of the ESPP pursuant to which options may be granted to non-U.S. employees). The material terms of the ESPP, as it is currently contemplated, are summarized below.

Administration. Subject to the terms and conditions of the ESPP, our compensation committee will administer the ESPP. Our compensation committee can delegate administrative tasks under the ESPP to the services of an agent and/or employees to assist in the administration of the ESPP. The administrator will have the discretionary authority to administer and interpret the ESPP. Interpretations and constructions of the administrator of any provision of the ESPP or of any rights thereunder will be conclusive and binding on all persons. We will bear all expenses and liabilities incurred by the ESPP administrator.

Share Reserve. The maximum number of our shares of our common stock which will be authorized for sale under the ESPP is equal to the sum of (i) shares of common stock and (ii) an annual increase on the first day of each year beginning in 2022 and ending in 2031, equal to the lesser of (A) % of the shares of common stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (B) such number of shares of common stock as determined by our board of directors; provided, however, no more than shares of our common stock may be issued under the ESPP. The shares reserved for issuance under the ESPP may be authorized but unissued shares or reacquired shares.

Eligibility. Employees eligible to participate in the ESPP for a given offering period generally include employees who are employed by us or one of our subsidiaries on the first day of the offering period, or the enrollment date. Our employees (and, if applicable, any employees of our subsidiaries) who customarily work less than five months in a calendar year or are customarily scheduled to work less than 20 hours per week will generally not be eligible to participate in the ESPP. Finally, an employee who owns (or is deemed to own through attribution) 5% or more of the combined voting power or value of all our classes of stock or of one of our subsidiaries will not be allowed to participate in the ESPP.

Participation. Employees will enroll under the ESPP by completing a payroll deduction form permitting the deduction from their compensation of at least 1% of their compensation but not more than % of their compensation. Such payroll deductions may be expressed as either a whole number percentage or a fixed dollar amount, and the accumulated deductions will be applied to the purchase of shares on each purchase date. However, a participant may not purchase more than shares in each offering period and may not accrue the right to purchase shares of common stock at a rate that exceeds $25,000 in fair market value of shares of our common stock (determined at the time the option is granted) for each calendar year the option is outstanding (as determined in accordance with Section 423 of the Code). The ESPP administrator has the authority to change these limitations for any subsequent offering period.

Offering. Under the ESPP, participants are offered the option to purchase shares of our common stock at a discount during predetermined purchase periods within a series of successive offering periods, the duration and

timing of which will be determined by the ESPP administrator. However, in no event may an offering period be longer than 27 months in length.

The option purchase price will be the lower of 85% of the closing trading price per share of our common stock on the first trading date of an offering period in which a participant is enrolled or 85% of the closing trading price per share on the purchase date, which will occur on the last trading day of each offering period.

Unless a participant has previously canceled his or her participation in the ESPP before the purchase date, the participant will be deemed to have exercised his or her option in full as of each purchase date. Upon exercise, the participant will purchase the number of whole shares that his or her accumulated payroll deductions will buy at the option purchase price, subject to the participation limitations listed above.

A participant may cancel his or her payroll deduction authorization at any time prior to the end of the offering period. Upon cancellation, the participant will have the option to either (i) receive a refund of the participant's account balance in cash without interest or (ii) exercise the participant's option for the current offering period for the maximum number of shares of common stock on the applicable purchase date, with the remaining account balance refunded in cash without interest. Following at least one payroll deduction, a participant may also decrease (but not increase) his or her payroll deduction authorization once during any offering period. If a participant wants to increase or decrease the rate of payroll withholding, he or she may do so effective for the next offering period by submitting a new form before the offering period for which such change is to be effective.

A participant may not assign, transfer, pledge or otherwise dispose of (other than by will or the laws of descent and distribution) payroll deductions credited to a participant's account or any rights to exercise an option or to receive shares of our common stock under the ESPP, and during a participant's lifetime, options in the ESPP shall be exercisable only by such participant. Any such attempt at assignment, transfer, pledge or other disposition will not be given effect.

Adjustments upon Changes in Recapitalization, Dissolution, Liquidation, Merger or Asset Sale. In the event of any increase or decrease in the number of issued shares of our common stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the common stock, or any other increase or decrease in the number of shares of common stock effected without receipt of consideration by us, we will proportionately adjust the aggregate number of shares of our common stock offered under the ESPP, the number and price of shares which any participant has elected to purchase under the ESPP and the maximum number of shares which a participant may elect to purchase in any single offering period. If there is a proposal to dissolve or liquidate us, then the ESPP will terminate immediately prior to the consummation of such proposed dissolution or liquidation, and any offering period then in progress will be shortened by setting a new purchase date to take place before the date of our dissolution or liquidation. We will notify each participant of such change in writing at least 10 business days prior to the new exercise date. If we undergo a merger with or into another corporation or sell all or substantially all of our assets, each outstanding option will be assumed or an equivalent option substituted by the successor corporation or the parent or subsidiary of the successor corporation. If the successor corporation refuses to assume the outstanding options or substitute equivalent options, then any offering period then in progress will be shortened by setting a new purchase date to take place before the date of our proposed sale or merger. We will notify each participant of such change in writing at least 10 business days prior to the new exercise date.

Amendment and Termination. Our board of directors may amend, suspend or terminate the ESPP at any time. However, the board of directors may not amend the ESPP without obtaining stockholder approval within 12 months before or after such amendment to the extent required by applicable laws.

Director Compensation

We have not historically maintained a formal non-employee director compensation program. Our non-employee directors received no cash compensation from us during the year ended December 31, 2020.

However, we granted David Fellows, Jeffrey Kindler, and Jill Quigley each an option to purchase 398,663 shares of our common stock as compensation for their service as non-employee directors on our board. These stock options are set forth in the 2020 Director Compensation Table below. Additionally, we provide reimbursement to our non-employee directors for their reasonable expenses incurred in attending meetings of our board of directors and its committees. Mr. Sundaram and Dr. Zhong receive no additional compensation for their service as directors. Their respective compensation as executive officers is set forth in the Summary Compensation Table above.

2020 Director Compensation Table

Name	Option Awards ($)(1)	Total ($)
David Fellows	147,980	263,118
Carl Gordon, Ph.D., C.F.A.	—	—
Jeffrey Kindler	147,980	263,118
Hongbo Lu, Ph.D.	—	—
Jill Quigley, J.D.	147,980	263,118
Yi Shi, Ph.D., MBA	—	—
Elise Wang, MBA	—	—

(1) Amounts reflect the full grant date fair value of option awards granted during 2020 computed in accordance with ASC Topic 718, rather than the amounts paid to or realized by the named individual. See Note 10 of the unaudited condensed consolidated financial statements included in this prospectus for the assumptions used in calculating these amounts through September 30, 2020.

The table below shows the aggregate numbers of stock options held as of December 31, 2020 by each non-employee director.

Name	Options Outstanding as of December 31, 2020 (#)
David Fellows	398,663
Carl Gordon, Ph.D., C.F.A.	—
Jeffrey Kindler	398,663
Hongbo Lu, Ph.D.	—
Jill Quigley, J.D.	398,663
Yi Shi, Ph.D., MBA	—
Elise Wang, MBA	—

We intend to approve and implement a compensation program for our non-employee directors, or the Director Compensation Program, in connection with the consummation of this offering, which will become effective as of immediately prior to the effectiveness of the registration statement relating to this offering.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following includes a summary of transactions since January 1, 2017 and any currently proposed transactions to which we were or are expected to be a participant in which (i) the amount involved exceeded or will exceed $120,000, and (ii) any of our directors, executive officers or holders of more than 5% of our capital stock, or any affiliate or member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest, other than compensation and other arrangements that are described under the section titled "Executive and Director Compensation."

Convertible Preferred Share Financings

Series A Convertible Preferred Shares Financing

In April 2017, we entered into a Series A convertible preferred share purchase agreement with various investors, pursuant to which we issued an aggregate of 29,250,000 Series A convertible preferred shares at $0.75 per share for gross proceeds of approximately $21,937,500. In addition, our subsidiary in China, Terns China Biotechnology Co., Ltd., sold equity interests to certain entities affiliated with Lilly Asia Ventures for gross proceeds of approximately $8,062,500, which equity interests were eligible for surrender and an exchange into an aggregate of 10,750,000 Series A convertible preferred shares, at the option of the investors, subject to certain terms and conditions, or the Series A Conversion Option. The Series A Conversion Option was exercised in full effective as of January 11, 2021, at which time Terns China Biotechnology Co., Ltd. became our indirect wholly owned subsidiary. As part of the exercise of the Series A Conversion Option, on December 29, 2020, we issued 10,750,000 shares of Series A convertible preferred stock to an affiliate of Lilly Asia Ventures.

The table below sets forth the number of shares of our Series A convertible preferred shares purchased by our executive officers, directors, holders of more than 5% of our capital stock and their affiliated entities or immediate family members. Each Series A convertible preferred shares in the table below will convert into one share of our common stock immediately prior to the completion of this offering.

Name(1)	Series A Convertible Preferred Shares (#)	Aggregate Cash Purchase Price ($)
Entities Affiliated with Lilly Asia Ventures(2)	40,000,000	30,000,000

(1) For additional information regarding these stockholders and their equity holdings, see "Principal Stockholders."

(2) Entities affiliated with Lilly Asia Ventures became beneficial owners of more than 5% of our outstanding capital stock at the time of the Series A convertible preferred share financing. Dr. Yi Shi is currently a member of our board of directors. Dr. Shi was designated to serve as a member of our board of directors by Lilly Asia Ventures after the closing of the Series A convertible preferred stock financing. Dr. Shi is a Managing Partner at Lilly Asia Ventures. In addition, Dr. Hongbo Lu is currently a member of our board of directors. Dr. Lu was originally designated to serve as a member of our board of directors by Lilly Asia Ventures in April of 2020. Dr. Lu was not a member of our board of directors at the time of the Series A convertible preferred share financing but was at the time of the Series A convertible share financing a Managing Partner at Lilly Asia Ventures. Currently, Dr. Lu is a Managing Partner of Vivo Ventures and is no longer affiliated with Lilly Asia Ventures.

Series B Convertible Preferred Shares Financing

In October 2018, we entered into a Series B convertible preferred share purchase agreement with various investors, pursuant to which we issued an aggregate of 33,378,785 shares of Series B convertible preferred shares at $2.20 per share for gross proceeds of approximately $73,433,327 million. In addition, our subsidiary in China, Terns China Biotechnology Co., Ltd., sold equity interests to certain entities affiliated with Lilly Asia Ventures for gross proceeds of approximately $6,666,667, which equity interests were eligible for surrender and an exchange into an aggregate of 3,030,303 Series B convertible preferred shares, at the option of the investors, subject to certain terms and conditions, or the Series B Conversion Option. The Series B Conversion Option was exercised in full effective as of January 11, 2021, at which time Terns China Biotechnology Co., Ltd. became our

indirect wholly owned subsidiary. As part of the exercise of the Series B Conversion Option, on December 29, 2020, we issued 3,030,303 shares of Series B convertible preferred stock to an affiliate of Lilly Asia Ventures.

The table below sets forth the number of our Series B convertible preferred shares purchased by our executive officers, directors, holders of more than 5% of our capital stock and their affiliated entities or immediate family members. Each share of Series B convertible preferred shares in the table below will convert into 2.2 shares of our common stock immediately prior to the completion of this offering.

Name(1)	Series B Convertible Preferred Shares(#)	Aggregate Cash Purchase Price ($)
Entities affiliated with Lilly Asia Ventures(2)	9,090,909	19,999,999.80
Entities affiliated with OrbiMed Advisors LLC(3)	11,363,635	24,999,997.00
Entities affiliated with Vivo Capital(4)	11,363,636	24,999,999.20
Decheng Capital China Life Science USD Fund III, L.P.(5)	4,545,454	9,999,998.80

(1) For additional information regarding these stockholders and their equity holdings, see "Principal Stockholders."

(2) Entities affiliated with Lilly Asia Ventures beneficially owned more than 5% of our outstanding capital stock at the time of the Series B convertible preferred share financing. Dr. Yi Shi is currently, and was at the time of the Series B convertible preferred share financing, a member of our board of directors. Dr. Shi was designated to serve as a member of our board of directors by Lilly Asia Ventures. Dr. Shi is a Managing Partner at Lilly Asia Ventures. In addition, Dr. Hongbo Lu is currently a member of our board of directors. Dr. Lu was originally designated to serve as a member of our board of directors by Lilly Asia Ventures in April of 2020. Dr. Lu was not a member of our board of directors at the time of the Series B convertible preferred share financing but was at the time of the Series B convertible preferred share financing a Managing Partner at Lilly Asia Ventures. Currently, Dr. Lu is a Managing Partner of Vivo Ventures and is no longer affiliated with Lilly Asia Ventures.

(3) Entities affiliated with OrbiMed Advisors LLC became beneficial owners of more than 5% of our outstanding capital stock at the time of the Series B convertible preferred share financing. Dr. Carl Gordon is currently a member of our board of directors. Dr. Gordon was designated to serve as a member of our board of directors by OrbiMed Advisors LLC after the closing of the Series B convertible preferred stock financing. Dr. Gordon is a Managing Partner at OrbiMed Advisors LLC.

(4) Entities affiliated with Vivo Capital became beneficial owners of more than 5% of our outstanding capital stock at the time of the Series B convertible preferred share financing. Dr. Weidong Liu was designated to serve as a member of our board of directors by Vivo Capital after the closing of the Series B convertible preferred stock financing. Dr. Liu is a Principal at Vivo Capital. In addition, Dr. Hongbo Lu is currently a member of our Board of Directors. Dr. Lu is a Managing Partner at Vivo Capital.

(5) Entities affiliated with Decheng Capital became beneficial owners of more than 5% of our outstanding capital stock at the time of the Series B convertible preferred share financing.

2020 Convertible Note Financing

In May 2020, we entered into a note purchase agreement, pursuant to which we issued and sold to investors approximately $15.0 million in aggregate principal amount of convertible promissory notes. In December 2020, the 2020 Notes converted into shares of our Series C convertible preferred stock. The table below sets forth the principal amount of the convertible promissory notes held by our directors, executive officers or owners of more than 5% of a class of our capital stock, or an affiliate or immediate family member thereof at the time of the convertible note financing.

Name	Principal Amount of Convertible Promissory Notes at Closing ($)
Entities affiliated with Lilly Asia Ventures(1)	9,652,834.57
Entities affiliated with OrbiMed Advisors LLC(2)	2,658,227.60
Entities Affiliated with Vivo Capital(3)	2,658,227.83

(1) Entities affiliated with Lilly Asia Ventures beneficially owned more than 5% of our outstanding capital stock at the time of the convertible note financing. Dr. Yi Shi is currently, and was at the time of the convertible note financing, a member of our board of directors. Dr. Shi was designated to serve as a member of our board of directors by Lilly Asia Ventures. Dr. Shi is a Managing Partner at Lilly Asia Ventures. In addition, Dr. Hongbo Lu was at the time of the convertible note financing, a member of our board of directors. Dr. Lu was originally designated to serve as a member of our board of directors by Lilly Asia Ventures. Dr. Lu was at the time of the convertible note financing a Managing Partner at Lilly Asia Ventures. Currently, Dr. Lu is a Managing Partner of Vivo Ventures and is no longer affiliated with Lilly Asia Ventures.

(2) Entities affiliated with OrbiMed Advisors LLC beneficially owned more than 5% of our outstanding capital stock at the time of the convertible note financing. Dr. Carl Gordon is currently, and was at the time of the convertible note financing, a member of our board of directors. Dr. Gordon was designated to serve as a member of our board of directors by OrbiMed Advisors LLC. Dr. Gordon is a Managing Partner at OrbiMed Advisors LLC.

(3) Entities Affiliated with Vivo Capital beneficially owned more than 5% of our outstanding capital stock at the time of the convertible note financing. Dr. Weidong Liu was at the time of the convertible note financing, a member of our board of directors. Dr. Liu was designated to serve as a member of our board of directors by Vivo Capital. Dr. Liu is a Principal at Vivo Capital. In addition, Dr. Hongbo Lu is currently, and was at the time of the convertible note financing, a member of our Board of Directors. Dr. Lu is a Managing Partner at Vivo Capital.

2020 Bridge Loan

In May 2020, Terns China Biotechnology Co., Ltd. entered into a bridge loan, or the Bridge Loan, with certain entities affiliated with Lilly Asia Ventures, which beneficially owned more than 5% of our outstanding capital stock at the time of the bridge loan financing, for the aggregate principal amount of approximately $1.8 million.

In connection with the closing of the Series C convertible preferred stock financing, entities affiliated with Lilly Asia Ventures, or LAV, agreed to effectively convert the Bridge Loan into shares of our Series C preferred stock on the same terms as the 2020 Notes, as described in more detail below. The conversion will be based on an outstanding loan balance equal to $1.9 million, consisting of (i) the principal loan amount ($1.8 million) plus (ii) accrued interest through December 29, 2020 ($0.1 million).

To help facilitate the transfer of cash from China to the United States to effectively convert the Bridge Loan, we and Terns China agreed to enter into an agreement with LAV to (i) repay the Bridge Loan, and (ii) issue shares of Series C convertible preferred stock at the initial closing to an affiliate of LAV, in exchange for a promissory note issued to us by LAV, or the LAV Affiliate Promissory Note.

On December 29, 2020, the Bridge Loan was amended to clarify that (i) interest will accrue up to and through December 29, 2020, with no additional interest accruing after December 29, 2020 and (ii) the Bridge Loan will be repaid in full by us following the requisite government approvals in China. Proceeds from the repayment of the Bridge Loan by Terns China will be used by LAV to repay the LAV Affiliate Promissory Note in full to us.

Series C Preferred Stock Financing

In December 2020, we entered into a Series C convertible preferred stock purchase agreement with various investors, pursuant to which we issued an aggregate of 105,009,420 shares of Series C convertible preferred stock at $0.823 per share for gross proceeds of approximately $87.4 million, which amount includes the conversion of the 2020 Notes and effective conversion of the Bridge Loan.

The table below sets forth the number of shares of our Series C convertible preferred stock purchased by our executive officers, directors, holders of more than 5% of our capital stock and their affiliated entities or immediate family members. Each share of Series C convertible preferred stock in the table below will convert into one share of our common stock immediately prior to the completion of this offering.

Name(1)	Series C Convertible Preferred Stock (#)	Aggregate Cash Purchase Price ($)
Entities affiliated with Lilly Asia Ventures(2)	26,698,865	$ 22,213,457.75
Entities affiliated with OrbiMed Advisors LLC(3)	21,426,910	$ 17,827,189.63
Entities affiliated with Vivo Capital(4)	5,801,910	$ 4,827,189.87
Deerfield Partners, L.P.(5)	24,038,462	$ 20,000,000.38

(1) For additional information regarding these stockholders and their equity holdings, see "Principal Stockholders."

(2) Entities affiliated with Lilly Asia Ventures beneficially owned more than 5% of our outstanding capital stock at the time of the Series C convertible preferred stock financing. Dr. Yi Shi is currently, and was at the time of the Series C convertible preferred stock financing, a member of our board of directors. Dr. Shi was designated to serve as a member of our board of directors by Lilly Asia Ventures. Dr. Shi is a Managing Partner at Lilly Asia Ventures. In addition, Dr. Hongbo Lu is currently, and was at the time of the Series C convertible preferred stock financing, a member of our board of directors. Dr. Lu was originally designated to serve as a member of our board of directors by Lilly Asia Ventures. Dr. Lu was at the time of the Series C convertible preferred stock financing a Managing Partner at Lilly Asia Ventures. Currently, Dr. Lu is a Managing Partner at Vivo Capital and is no longer affiliated with Lilly Asia Ventures.

(3) Entities affiliated with OrbiMed Advisors LLC beneficially owned more than 5% of our outstanding capital stock at the time of the Series C convertible preferred stock financing. Dr. Carl Gordon is currently, and was at the time of the Series C convertible preferred stock financing, a member of our board of directors. Dr. Gordon was designated to serve as a member of our board of directors by OrbiMed Advisors LLC. Dr. Gordon is a Managing Partner at OrbiMed Advisors LLC.

(4) Entities affiliated with Vivo Capital beneficially owned more than 5% of our outstanding capital stock at the time of the Series C convertible preferred stock financing. Dr. Weidong Liu was at the time of the Series C convertible preferred stock financing, a member of our board of directors. Dr. Liu was designated to serve as a member of our board of directors by Vivo Capital. Dr. Liu is a Principal at Vivo Capital. In addition, Dr. Hongbo Lu is currently, and was at the time of the Series C convertible preferred stock financing, a member of our Board of Directors. Dr. Lu is a Managing Partner at Vivo Capital.

(5) Entities affiliated with Deerfield Partners, L.P. became beneficial owners of more than 5% of our outstanding capital stock at the time of the Series C convertible preferred stock financing. Ms. Elise Wang is currently a member of our board of directors. Ms. Wang was designated to serve as a member of our board of directors by Deerfield Partners, L.P. after the closing of the Series C convertible preferred stock financing. Ms. Wang is a Principal at Deerfield Management Company.

Investors' Rights Agreement

In December 2020, we entered into an amended and restated investors' rights agreement with the purchasers of our outstanding convertible preferred stock, including entities with which certain of our directors are affiliated. Following the consummation of this offering, the holders of approximately shares of our common stock, including the shares of common stock issuable upon the conversion of our Series A, Series B and Series C convertible preferred stock, are entitled to rights with respect to the registration of their shares under the Securities Act. For a more detailed description of these registration rights, see the section titled "Description of Capital Stock—Registration Rights." The investors' rights agreement also provides for a right of first offer in favor of certain holders of convertible preferred stock with regard to certain issuances of our capital stock. The rights of first offer will not apply to, and will terminate upon the consummation of, this offering.

Voting Agreement

In December 2020, we entered into an amended and restated voting agreement with certain holders of our common stock and convertible preferred stock. Upon the conversion of all outstanding shares of our convertible

preferred stock into common stock in connection with the consummation of this offering, the amended and restated voting agreement will terminate. For a description of the amended and restated voting agreement, see the section titled "Management—Board Composition—Voting Arrangements."

Right of First Refusal and Co-Sale Agreement

In December 2020, we entered into an amended and restated right of first refusal and co-sale agreement with certain holders of our common stock and convertible preferred stock. This agreement provides for rights of first refusal and co-sale relating to the shares of our common stock held by the parties to the agreement. Upon the consummation of this offering, the amended and restated right of first refusal and co-sale agreement will terminate.

Executive Officer and Director Compensation

Please see the section titled "Executive and Director Compensation" for information regarding the compensation of our directors and named executive officers.

Employment Agreements

We have entered into offer letter agreements with our executive officers that, among other things, provide for certain compensatory and change in control benefits, as well as severance benefits. For a description of these agreements with our named executive officers, see the section titled "Executive and Director Compensation—Executive Compensation Arrangements."

Indemnification Agreements

We have entered into indemnification agreements with certain of our current directors and officers, and intend to enter into new indemnification agreements with each of our current directors and officers before the completion of this offering. Our amended and restated certificate of incorporation and our amended and restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by applicable law. See the section titled "Management—Limitation on Liability and Indemnification Matters."

Policies and Procedures for Related Person Transactions

Prior to the consummation of this offering, our board of directors will adopt a written related person transaction policy, to be effective upon the consummation of this offering, setting forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related person had or will have a direct or indirect material interest, including without limitation purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our audit committee is tasked to consider all relevant facts and circumstances, including but not limited to whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction with an unrelated third party and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

PRINCIPAL STOCKHOLDERS

The following table sets forth, as of January 14, 2021, 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 named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

The percentage ownership information under the column titled "Before Offering" is based on shares of common stock outstanding as of January 14, 2021 assuming the conversion of all outstanding shares of our convertible preferred stock, as well as the issuance and subsequent conversion of all of our shares of convertible preferred stock issued and sold in December 2020 into an aggregate of 225,109,409 shares of common stock upon the completion of this offering. The percentage ownership information under the column titled "After Offering" is based on the sale of shares of common stock in this offering (assuming an initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus). The percentage ownership information assumes no exercise of the underwriters' option to purchase additional shares.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security. In addition, shares of common stock issuable upon the exercise of stock options or warrants that are currently exercisable or exercisable within 60 days of January 14, 2021 are included in the following table. 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. The information contained in the following table does not necessarily indicate beneficial ownership for any other purpose. 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.

Unless otherwise noted below, the address for each beneficial owner listed in the table below is c/o Terns Pharmaceuticals, Inc., 1065 East Hillsdale, Suite 100, Foster City, California 94404.

Name of Beneficial Owner	Number of Shares Beneficially Owned (#)	Percentage of Shares Beneficially Owned	
		Before Offering (%)	After Offering (%)
Greater than 5% Stockholders:			
Entities affiliated with Lilly Asia Ventures(1)	**86,698,864**	**37.5%**	
Entities affiliated with OrbiMed Advisors LLC(2)	**46,426,906**	**20.1%**	
Entities affiliated with Vivo Capital(3)	**30,801,908**	**13.3%**	
Deerfield Partners, L.P.(4)	**24,038,462**	**10.4%**	
Named Executive Officers and Directors:			
Erin Quirk, M.D.(5)	**4,613,423**	**2.0%**	
Senthil Sundaram(6)	**13,288,771**	**5.4%**	
Mark Vignola, Ph.D.(7)	**3,189,304**	**1.4%**	
David Fellows	—	—	
Carl Gordon, Ph.D., C.F.A.(8)	—	—	
Jeffrey Kindler	—	—	
Hongbo Lu, Ph.D.(9)	—	—	
Jill Quigley	—	—	
Yi Shi, Ph.D., MBA(10)	—	—	
Elise Wang(11)	—	—	
Weidong Zhong, Ph.D.(12)	**6,021,596**	**2.6%**	
All executive officers and directors as a group (12 persons)(*) (13)	**30,833,950**	**12.0%**	

* Includes Bryan Yoon, our Chief Operating Officer and General Counsel, who is not named in the table above.

(1) Consists of (i) 19,500,000 shares of common stock issuable upon the conversion of the Series A convertible preferred stock held directly by Hopewell Resources Holdings Limited, (ii) 9,750,000 shares of common stock issuable upon the conversion of the Series A convertible preferred stock held directly by Oriental Spring Venture Limited, (iii) 10,750,000 shares of common stock issuable upon the conversion of the Series A convertible preferred stock held directly by Auspice Limited, (iv) 13,333,333 shares of common stock issuable upon the conversion of the Series B convertible preferred stock held directly by LAV Aqua Limited, (v) 6,666,666 shares of common stock issuable upon the conversion of the Series B convertible preferred stock held directly by Auspice Limited, (vi) 2,340,231 shares of common stock issuable upon the conversion of the Series C convertible preferred stock held directly by Auspice Limited, (vii) 4,680,463 shares of common stock issuable upon the conversion of the Series C convertible preferred stock held directly by LAV Aqua Limited, and (viii) 19,678,171 shares of common stock issuable upon the conversion of the Series C convertible preferred stock held directly by LAV Biosciences Fund V, L.P. Dr. Yi Shi is a Managing Partner at Lilly Asia Ventures and a member of our board of directors.

(2) Consists of (i) 14,999,998 shares of common stock issuable upon the conversion of the Series B convertible preferred stock held directly by OrbiMed Private Investments VII, LP, or OPI VII, (ii) 9,999,998 shares of common stock issuable upon the conversion of the Series B convertible preferred stock held directly by OrbiMed Asia Partners III, LP, or OrbiMed Asia, (iii) 12,856,146 shares of common stock issuable upon the conversion of the Series C convertible preferred stock held directly by OPI VII, and (iv) 8,570,764 shares of common stock issuable upon the conversion of the Series C convertible preferred stock held directly by OrbiMed Asia. Dr. Carl L. Gordon is a member of the management committee of OrbiMed Advisors LLC, or OrbiMed Advisors, and a member of our board of directors. OrbiMed Capital GP VII LLC, or OrbiMed GP VII, is the general partner of OPI VII and OrbiMed Advisors is the managing member of OrbiMed GP VII. By virtue of such relationships, OrbiMed GP VII and OrbiMed Advisors may be deemed to have voting power and investment power over the securities held by OPI VII and as a result, may be deemed to have beneficial ownership over such securities. OrbiMed Advisors exercises voting and investment power through a management committee comprised of Dr. Gordon, Sven H. Borho, and Jonathan T. Silverstein, each of whom disclaims beneficial ownership of the shares held by OPI VII. Dr. Gordon a member of the management committee of OrbiMed Advisors III Limited, or OrbiMed Advisors III, and a member of our board of directors. OrbiMed Asia GP III, or

OrbiMed Asia GP, is the general partner of OrbiMed Asia and OrbiMed Advisors III is the managing member of OrbiMed Asia GP. By virtue of such relationships, OrbiMed Asia GP and OrbiMed Advisors III may be deemed to have voting power and investment power over the securities held by OrbiMed Asia and as a result, may be deemed to have beneficial ownership over such securities. OrbiMed Advisors III exercises voting and investment power through a management committee comprised of Dr. Gordon, Sven H. Borho, Jonathan T. Silverstein, Jonathan Wang, David G. Wang, Sunny Sharma, Carter W. Nield and Samuel D. Isaly, each of whom disclaims beneficial ownership of the shares held by OrbiMed Asia. The address for each of the entities and individuals identified in this footnote is c/o OrbiMed Advisors, 601 Lexington Avenue 54th Floor, New York, NY 10022.

(3) Consists of (i) 21,966,665 shares of common stock issuable upon the conversion of the Series B convertible preferred stock held directly by Vivo Capital Fund VIII, L.P., or VCF, (ii) 3,033,333 shares of common stock issuable upon the conversion of the Series B convertible preferred stock held directly by Vivo Capital Surplus Fund VIII, L.P., or VCSF, (iii) 5,097,945 shares of common stock issuable upon the conversion of the Series C convertible preferred stock held directly by VCF, and (iv) 703,965 shares of common stock issuable upon the conversion of the Series C convertible preferred stock held directly by VCSF. Vivo Capital VIII, LLC, or Vivo LLC, is the general partner of both VCF and VCSF. Dr. Hongbo Lu is a Managing Partner at Vivo Capital and a member of our board of directors. Dr. Liu does not have individual voting or investment power with respect to these shares and disclaims beneficial ownership of such shares. The voting members of Vivo LLC are Frank Kung, Edgar Engleman, Albert Cha, Shan Fu and Chen Yu, none of whom has individual voting or investment power with respect to these shares and each of whom disclaims beneficial ownership of such shares. The address for each of the entities and individuals identified in this footnote is 505 Hamilton Avenue, Suite 207, Palo Alto, California 94301.

(4) Consists of 24,038,462 shares of common stock issuable upon the conversion of the Series C convertible preferred stock held directly by Deerfield Partners, L.P., or Deerfield. Elise Wang is a Principal at Deerfield Management Company and a member of our board of directors. The address for Deerfield Partners, L.P., is c/o Deerfield Management Company, L.P., 780 Third Avenue, 37th Floor, New York, New York 10017.

(5) Consists of 4,613,423 shares of common stock that may be acquired pursuant to the exercise of stock options within 60 days of January 14, 2021.

(6) Consists of 13,288,771 shares of common stock that may be acquired pursuant to the exercise of stock options within 60 days of January 14, 2021.

(7) Consists of 3,189,304 shares of common stock that may be acquired pursuant to the exercise of stock options within 60 days of January 14, 2021.

(8) Does not include the shares of common stock held by OPI VII or OrbiMed Asia described in footnote (2) above. Dr. Carl L. Gordon is a member of the management committee of OrbiMed Advisors and OrbiMed Advisors III and a member of our board of directors.

(9) Does not include the shares of common stock held by Vivo Capital described in footnote (3) above. Dr. Hongbo Lu is a Managing Partner at Vivo Capital and a member of our board of directors.

(10) Does not include the shares of common stock held by Lilly Asia Ventures described in footnote (1) above. Dr. Yi Shi is a Managing Partner at Lilly Asia Ventures and a member of our board of directors.

(11) Does not include the shares of common stock held by Deerfield Partners, L.P. described in footnote (4) above. Ms. Wang is a Principal at Deerfield Management Company and a member of our board of directors.

(12) Consists of (i) 4,000,000 shares of common stock held directly by Dr. Weidong Zhong and (ii) 2,021,596 shares of common stock that may be acquired pursuant to the exercise of stock options within 60 days of January 14, 2021.

(13) Includes (i) 4,000,000 shares held by our current directors and executive officers and (ii) 26,833,950 shares subject to options exercisable within 60 days of January 14, 2021.

DESCRIPTION OF CAPITAL STOCK

The following summary describes our capital stock and the material provisions of our amended and restated certificate of incorporation and our amended and restated bylaws, which will become effective immediately prior to the completion of this offering, the amended and restated investors' rights agreement to which we and certain of our stockholders are parties and of the Delaware General Corporation Law. Because the following is only a summary, it does not contain all of the information that may be important to you. For a complete description, you should refer to our amended and restated certificate of incorporation, amended and restated bylaws and amended and restated investors' rights agreement, copies of which have been filed as exhibits to the registration statement of which this prospectus is part.

General

Upon the completion of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of shares of common stock, par value $0.0001 per share, and shares of preferred stock, par value $0.0001 per share. In connection with this offering, we expect to consummate a -for- reverse stock split of our common stock and convertible preferred stock.

Common Stock

Outstanding Shares

As of September 30, 2020, we had 108,178,267 shares of common stock outstanding, held of record by 45 stockholders, assuming the conversion of all of our outstanding shares of convertible preferred stock into shares of common stock immediately prior to the completion of this offering. In December 2020, we issued and sold 118,789,723 shares of our convertible preferred stock to 13 stockholders. The shares of our convertible preferred stock are convertible into 225,109,409 shares of our common stock immediately prior to the completion of this offering.

Voting Rights

Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Our stockholders do not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the voting shares are able to elect all of the directors. In addition, the affirmative vote of holders of 66 2/3% of the voting power of all of the then outstanding voting stock will be required to take certain actions, including amending certain provisions of our amended and restated certificate of incorporation, including the provisions relating to amending our amended and restated bylaws, the classified board and director liability.

Dividends

Subject to preferences that may be applicable to any then outstanding preferred stock, holders of our common stock are entitled to receive dividends 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 then 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 will be, fully paid and nonassessable.

Preferred Stock

Upon the completion of this offering, all of our currently outstanding shares of convertible preferred stock will convert into common stock and we will not have any shares of preferred stock outstanding. Immediately prior to the completion of this offering, our amended and restated certificate of incorporation will be amended and restated to delete all references to such shares of convertible preferred stock. From and after the consummation of this offering, our board of directors will have the authority, without further action by our stockholders, to issue up to shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting, or the designation of, such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon our liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control of our company or other corporate action. Immediately after consummation of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

Stock Options

As of September 30, 2020, we had outstanding options to purchase an aggregate of 12,963,675 shares of our common stock, with a weighted-average exercise price of $0.44 per share. For additional information regarding terms of our equity incentive plans, see the section titled "Executive and Director Compensation—Equity Incentive Plans."

Registration Rights

Upon the completion of this offering and subject to the lock-up agreements entered into in connection with this offering and federal securities laws, certain holders of shares of our common stock, including those shares of our common stock that will be issued upon the conversion of our convertible preferred stock in connection with this offering, will initially be entitled to certain rights with respect to registration of such shares under the Securities Act. These shares are referred to as registrable securities. The holders of these registrable securities possess registration rights pursuant to the terms of our amended and restated investors' rights agreement and are described in additional detail below. The registration of shares of our common stock pursuant to the exercise of the registration rights described below would enable the holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts, selling commissions and stock transfer taxes, of the shares registered pursuant to the demand, piggyback and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions and limitations, to limit the number of shares the holders may include. The demand, piggyback and Form S-3 registration rights described below will terminate upon the earliest of (i) with respect to each stockholder, such date, on or after the closing of this offering, on which all registrable shares held by such stockholder may immediately be sold during any 90-day period pursuant to Rule 144 of the Securities Act, or Rule 144, and (ii) the occurrence of a deemed liquidation event, as defined in our amended and restated certificate of incorporation, as currently in effect.

Demand Registration Rights

Upon the completion of this offering, holders of up to 225,109,409 shares of our common stock issuable upon conversion of outstanding convertible preferred stock will be entitled to certain demand registration rights. Beginning 180 days following the effectiveness of the registration statement of which this prospectus is a part, certain investors holding, collectively, 20% of registrable securities may, on not more than two occasions, request that we register all or a portion of their shares, subject to certain specified exceptions. If any of these holders exercises its demand registration rights, then holders of 225,109,409 shares of our common stock issuable upon the shares of our convertible preferred stock in connection with this offering will be entitled to register their shares, subject to specified conditions and limitations in the corresponding offering.

Piggyback Registration Rights

In connection with this offering, holders of up to 225,109,409 shares of our common stock issuable upon conversion of outstanding convertible preferred stock are entitled to their rights to notice of this offering and to include their shares of registrable securities in this offering. The requisite percentage of these stockholders are expected to waive all such stockholders' rights to notice of this offering and to include their shares of registrable securities in this offering. In the event that we propose to register any of our securities under the Securities Act in another offering, either for our own account or for the account of other security holders, the holders of registrable securities will be entitled to certain "piggyback" registration rights allowing them to include their shares in such registration, subject to specified conditions and limitations.

S-3 Registration Rights

Upon the completion of this offering, the holders of 225,109,409 shares of our common stock issuable upon conversion of outstanding convertible preferred stock will initially be entitled to certain Form S-3 registration rights. Certain investors holding at least 10% of registrable securities may, on not more than two registrations on Form S-3 within any 12-month period, request that we register all or a portion of their shares on Form S-3 if we are qualified to file a registration statement on Form S-3, subject to specified exceptions. Such request for registration on Form S-3 must cover securities with an aggregate offering price which equals or exceeds $1.0 million, net of selling expenses. The right to have such shares registered on Form S-3 is further subject to other specified conditions and limitations.

Anti-Takeover Effects of Provisions of Delaware Law and Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Certain provisions of Delaware law and our amended and restated certificate of incorporation and our amended and restated bylaws that will become effective immediately prior to the completion of this offering contain provisions that could make the following transactions more difficult: acquisition of us by means of a tender offer; acquisition of us by means of a proxy contest or otherwise; or removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits persons deemed "interested stockholders" from engaging in a "business combination" with a publicly-held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, such as discouraging takeover attempts that might result in a premium over the market price of our common stock.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock will make it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to effect a change in control of our company. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of our company.

Special Stockholder Meetings

Our amended and restated certificate of incorporation will provide that a special meeting of stockholders may be called at any time by our board of directors, but such special meetings may not be called by the stockholders or any other person or persons.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our amended and restated bylaws will establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

Elimination of Stockholder Action by Written Consent

Our amended and restated certificate of incorporation will eliminate the right of stockholders to act by written consent without a meeting.

Classified Board; Election and Removal of Directors; Filling Vacancies

Effective upon the consummation of this offering, our board of directors will be divided into three classes, divided as nearly as equal in number as possible. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders, with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the shares of common stock outstanding will be able to elect all of our directors. Our amended and restated certificate of incorporation will provide for the removal of any of our directors only for cause and requires a stockholder vote by the holders of at least a 66 2/3% of the voting power of the then outstanding voting stock. For more information on the classified board, see the section titled "Management—Board Composition." Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of the board, may only be filled by a resolution of the board of directors unless the board of directors determines that such vacancies shall be filled by the stockholders.

This system of electing and removing directors and filling vacancies may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for stockholders to replace a majority of the directors.

Choice of Forum

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or stockholders to us or to our stockholders; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws (as either may be amended from time to time); or any action asserting a claim against us that is governed by the internal affairs doctrine. As a result, any action brought by any of our stockholders with regard to any of these matters will need to be filed in the Court of Chancery of the State of Delaware and cannot be filed in any other jurisdiction; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction; and provided further that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware. Our amended and restated certificate of incorporation and amended and restated bylaws will also provide that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action against us or any of our directors, officers, employees or agents and arising under the Securities Act. Nothing in our amended and restated certificate of incorporation and amended and restated bylaws preclude stockholders that assert claims under the Exchange Act from bringing such claims in state or federal court, subject to applicable law.

If any action the subject matter of which is within the scope described above is filed in a court other than a court located within the State of Delaware, or a Foreign Action, in the name of any stockholder, such stockholder shall be deemed to have consented to the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the applicable provisions of our amended and restated certificate of incorporation and amended and restated bylaws and having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder. Although our amended and restated certificate of incorporation and amended and restated bylaws will contain the choice of forum provision described above, it is possible that a court could find that such a provision is inapplicable for a particular claim or action or that such provision is unenforceable.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder.

Amendment of Charter Provisions

The amendment of any of the above provisions in our amended and restated certificate of incorporation, except for the provision making it possible for our board of directors to issue undesignated preferred stock, would require approval by a stockholder vote by the holders of at least a 66 2/3% of the voting power of the then outstanding voting stock.

The provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation and our amended and restated bylaws could have the effect of discouraging others from attempting

hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Limitation on Liability and Indemnification

For a discussion of limitation on liability and indemnification, see the section titled "Management—Limitation on Liability and Indemnification Matters."

Nasdaq Global Market Listing

We have applied to list our common stock on the Nasdaq Global Market under the trading symbol "TERN."

Transfer Agent and Registrar

Upon completion of this offering, the transfer agent and registrar for our common stock will be Computershare, Inc. The transfer agent and registrar's address is 250 Royall Street, Canton, Massachusetts 02021.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of our common stock, including shares issued upon the exercise of outstanding options, in the public market after the completion of this offering, or the perception that those sales may occur, could adversely affect the prevailing market price for our common stock from time to time or impair our ability to raise equity capital in the future. As described below, only a limited number of shares of our common stock will be available for sale in the public market for a period of several months after the completion of this offering due to contractual and legal restrictions on resale described below. Future sales of our common stock in the public market either before or after restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our common stock at such time and our ability to raise equity capital at a time and price we deem appropriate.

Sale of Restricted Shares

Based on the number of shares of our common stock outstanding as of September 30, 2020, upon the closing of this offering (i) assuming the conversion of all of our convertible preferred stock outstanding as of September 30, 2020 into an aggregate of 102,683,323 shares of our common stock in connection with the completion of this offering, (ii) assuming the conversion of all of our convertible preferred stock issued and sold in December 2020 into 122,426,086 shares of our common stock immediately prior to the completion of this offering, (iii) assuming no exercise of the underwriters' option to purchase additional shares of common stock, if any, and (iv) assuming no exercise of outstanding options, we will have outstanding an aggregate of approximately shares of common stock. Of these shares, all of the shares of common stock to be sold in this offering will be freely tradable in the public market without restriction or further registration under the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 of the Securities Act, or Rule 144, or subject to lock-up agreements. All remaining shares of common stock held by existing stockholders immediately prior to the consummation of this offering will be "restricted securities," as such term is defined in Rule 144. These restricted securities were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under the Securities Act, including the exemptions provided by Rule 144 or Rule 701 of the Securities Act, or Rule 701, which rules are summarized below.

As a result of the lock-up agreements referred to below and the provisions of Rule 144 and Rule 701, based on the number of shares of our common stock outstanding (calculated as of September 30, 2020 on the basis of the assumptions described above and assuming no exercise of the underwriter's option to purchase additional shares, if any, and no exercise of outstanding options), the shares of our common stock (excluding the shares sold in this offering) that will be available for sale in the public market are as follows:

Approximate Number of Shares	First Date Available For Sale Into Public Market
shares	181 days after the date of this prospectus, upon expiration of the lock-up agreements referred to below, subject in some cases to applicable volume, manner of sale and other limitations under Rule 144 and Rule 701.

We may issue shares of common stock from time to time as consideration for future acquisitions, investments or other corporate purposes. In the event that any such acquisition, investment or other transaction is significant, the number of shares of common stock that we may issue may in turn be significant. We may also grant registration rights covering those shares of common stock issued in connection with any such acquisition and investment.

In addition, the shares of common stock reserved for future issuance under our 2021 Plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements, a registration statement under the Securities Act or an exemption from registration, including Rule 144 and Rule 701.

Rule 144

Under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, and we are current in our Exchange Act reporting at the time of sale, a person (or persons whose shares are required to be aggregated) who is not deemed to have been one of our "affiliates" for purposes of Rule 144 at any time during the 90 days preceding a sale and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, including the holding period of any prior owner other than one of our "affiliates," is entitled to sell those shares in the public market (subject to the lock-up agreement referred to below, if applicable) without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than "affiliates," then such person is entitled to sell such shares in the public market without complying with any of the requirements of Rule 144 (subject to the lock-up agreement referred to below, if applicable).

In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, our "affiliates," as defined in Rule 144, who have beneficially owned the shares proposed to be sold for at least six months, are entitled to sell in the public market, upon expiration of any applicable lock-up agreements and within any three-month period, a number of those shares of our common stock that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares of common stock immediately upon the completion of this offering (calculated as of September 30, 2020 on the basis of the assumptions described above and assuming no exercise of the underwriter's option to purchase additional shares and no exercise of outstanding options); or
- the average weekly trading volume of our common stock on Nasdaq during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Such sales under Rule 144 by our "affiliates" or persons selling shares on behalf of our "affiliates" are also subject to certain manner of sale provisions, notice requirements and requirements related to the availability of current public information about us. Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted securities have entered into lock-up agreements as referenced above and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who acquired common stock from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 before the effective date of the registration statement of which this prospectus is a part (to the extent such common stock is not subject to a lock-up agreement) and who are not our "affiliates" as defined in Rule 144 during the immediately preceding 90 days, is entitled to rely on Rule 701 to resell such shares beginning 90 days after the date of this prospectus in reliance on Rule 144, but without complying with the notice, manner of sale, public information requirements or volume limitation provisions of Rule 144. Persons who are our "affiliates" may resell those shares beginning 90 days after the date of this prospectus without compliance with minimum holding period requirements under Rule 144 (subject to the terms of the lock-up agreements referred to below, if applicable).

Lock-Up Agreements

In connection with this offering, we, our directors, our executive officers and holders of substantially all of our other outstanding shares of common stock or securities convertible into or exchangeable for shares of our

common stock outstanding upon the completion of this offering, have agreed, subject to certain limited exceptions, with the underwriters not to directly or indirectly offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of or hedge any shares of our common stock or any options to purchase shares of our common stock, or any securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of J.P. Morgan Securities LLC, Goldman Sachs & Co. LLC and Cowen and Company, LLC, and certain other limited exceptions. These agreements are described in the section titled "Underwriting."

In addition to the restrictions contained in the lock-up agreements described above, we have entered into agreements with certain security holders, including the amended and restated investors' rights agreement, our standard form of option agreement, our standard form of restricted stock agreement and our standard form of restricted stock purchase agreement, that contain market stand-off provisions or incorporate market stand-off provisions from our equity incentive plan imposing restrictions on the ability of such security holders to offer, sell or transfer our equity securities for a period of 180 days following the date of this prospectus.

Registration Rights

Upon the completion of this offering, the holders of approximately 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. The requisite percentage of these stockholders will waive all such stockholders' rights to notice of this offering and to include their shares of registrable securities in this offering. See the section titled "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 covering the shares of common stock reserved for issuance under our 2021 Plan and our ESPP. Such registration statement is expected to be filed and become effective as soon as practicable after the completion of this offering. Accordingly, shares registered under such registration statement will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations and the lock-up agreements described above, if applicable.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership, and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local, or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or the IRS, in each case in effect as of the date hereof.

These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership, and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income or the alternative minimum tax. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons holding our common stock as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction;
- banks, insurance companies, and other financial institutions;
- brokers, dealers, or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- tax-qualified retirement plans; and
- "qualified foreign pension funds" as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds.

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership, and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL, OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of Non-U.S. Holder

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of our common stock that is neither a "U.S. person" nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and all substantial decisions of which are subject to the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section of this prospectus titled "Dividend Policy," we have never declared or paid cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our capital stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute returns of capital and first be applied against and reduce a Non-U.S. Holder's adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under "—Sale or Other Taxable Disposition."

Subject to the discussion below regarding effectively connected income, dividends paid to a Non-U.S. Holder will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable tax treaties.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

Subject to the discussion below regarding backup withholding, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest, or USRPI, by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

A Non-U.S. Holder described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on gain realized upon the sale or other taxable disposition of our common stock, which may be offset by certain U.S.-source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance that we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition of our common stock by a Non-U.S. Holder will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market and such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our common stock will not be subject to backup withholding, provided the Non-U.S. Holder certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any distributions on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting if the applicable withholding agent receives the certification described above or the Non-U.S. Holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker that does not have certain enumerated relationships with the United States generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or FATCA) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertakes to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Code), annually reports certain information about such accounts, and withholds 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our common stock. While, beginning on January 1, 2019, withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of our common stock, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

UNDERWRITING

We are offering the shares of common stock described in this prospectus through a number of underwriters. J.P. Morgan Securities LLC, Goldman Sachs & Co. LLC and Cowen and Company, LLC are acting as joint book-running managers of the offering and as representatives of the underwriters. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of common stock listed next to its name in the following table:

Name	Number of Shares
J.P. Morgan Securities LLC	
Goldman Sachs & Co. LLC	
Cowen and Company, LLC	
Total	

The underwriters are committed to purchase all the common shares offered by us if they purchase any shares. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the common shares directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. Any such dealers may resell shares to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. After the initial offering of the shares to the public, if all of the common shares are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. Sales of any shares made outside of the United States may be made by affiliates of the underwriters. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The underwriters have an option to buy up to additional shares of common stock from us to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days from the date of this prospectus to exercise this option to purchase additional shares. If any shares are purchased with this option to purchase additional shares, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting fee is equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. The underwriting fee is $ per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Without option to purchase additional shares exercise	With full option to purchase additional shares exercise
Per Share	$	$
Total	$	$

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be

approximately $. We have also agreed to reimburse the underwriters for certain of their expenses in an amount of up to $.

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that we will not (i) 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, directly or indirectly, or submit to, or file with, the Securities and Exchange Commission a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exercisable or exchangeable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, loan, disposition or filing, or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any shares of common stock or any such other securities (regardless of whether any of these transactions are to be settled by the delivery of shares of common stock or such other securities, in cash or otherwise), in each case without the prior written consent of the representatives for a period of 180 days after the date of this prospectus, other than the shares of our common stock to be sold in this offering.

The restrictions on our actions, as described above, do not apply to certain transactions, including (i) the issuance of shares of common stock or securities convertible into or exercisable for shares of our common stock pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options (including net exercise) or the settlement of restricted stock units, or RSUs, (including net settlement), in each case outstanding on the date of the underwriting agreement and described in this prospectus; (ii) grants of stock options, stock awards, restricted stock, RSUs or other equity awards and the issuance of shares of our common stock or securities convertible into or exercisable or exchangeable for shares of our common stock (whether upon the exercise of stock options or otherwise) to our employees, officers, directors, advisors or consultants pursuant to the terms of an equity compensation plan in effect as of the closing of this offering and described in this prospectus, provided that such recipients enter into a lock-up agreement with the underwriters; (iii) the issuance of up to % of the outstanding shares of our common stock, or securities convertible into, exercisable for or which are otherwise exchangeable for, our common stock, immediately following the closing of this offering, in acquisitions or other similar strategic transactions, provided that such recipients enter into a lock-up agreement with the underwriters; or (iv) our filing of any registration statement on Form S-8 relating to securities granted or to be granted pursuant to any plan in effect on the date of the underwriting agreement and described in this prospectus or any assumed benefit plan pursuant to an acquisition or similar strategic transaction.

Our directors and executive officers, and substantially all of our shareholders, or the lock-up parties, have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each lock-up party, with limited exceptions, for a period of 180 days after the date of this prospectus, or the restricted period, may not (and may not cause any of their direct or indirect affiliates to), without the prior written consent of the representatives, (1) 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, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock (including, without limitation, common stock or such other securities which may be deemed to be beneficially owned by such lock-up parties in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant, or collectively with the common stock, the lock-up securities), (2) enter into any hedging, swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the lock-up securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of lock-up

securities, in cash or otherwise, (3) make any demand for, or exercise any right with respect to, the registration of any lock-up securities, or (4) publicly disclose the intention to do any of the foregoing. Such persons or entities have further acknowledged that these undertakings preclude them from engaging in any hedging or other transactions or arrangements (including, without limitation, any short sale or the purchase or sale of, or entry into, any put or call option, or combination thereof, forward, swap or any other derivative transaction or instrument, however described or defined) designed or intended, or which could reasonably be expected to lead to or result in, a sale or disposition or transfer (by any person or entity, whether or not a signatory to such agreement) of any economic consequences of ownership, in whole or in part, directly or indirectly, of any lock-up securities, whether any such transaction or arrangement (or instrument provided for thereunder) would be settled by delivery of lock-up securities, in cash or otherwise.

The restrictions described in the immediately preceding paragraph and contained in the lock-up agreements between the underwriters and the lock-up parties do not apply, subject in certain cases to various conditions, to certain transactions, including (a) transfers of lock-up securities:

(i) as a bona fide gift or gifts, or for bona fide estate planning purposes,

(ii) by will, other testamentary document or intestacy,

(iii) to any trust for the direct or indirect benefit of the lock-up party or any immediate family member, or if the undersigned is a trust, to a trustor or beneficiary of the trust or to the estate of a beneficiary of such trust,

(iv) to a partnership, limited liability company or other entity of which the lock-up party and its immediate family members are the legal and beneficial owner of all of the outstanding equity securities or similar interests,

(v) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (i) through (iv),

(vi) if the undersigned is a corporation, partnership, limited liability company, trust or other business entity, (A) to another corporation, partnership, limited liability company, trust or other business entity that is an affiliate of the lock-up party, or to any investment fund or other entity controlling, controlled by, managing or managed by or under common control with the lock-up party or its affiliates or (B) as part of a distribution to members partners, shareholders or other equity holders of the lock-up party,

(vii) by operation of law, such as pursuant to a qualified domestic order, divorce settlement, divorce decree, separation agreement or other court order,

(viii) to us from an employee or other service provider upon death, disability or termination of employment or service, in each case, of such employee or service provider,

(ix) as part of a sale of lock-up securities acquired (A) in open market transactions after the completion of this offering or (B) from the underwriters in this offering,

(x) to us in connection with the vesting, settlement or exercise of restricted stock units, options, warrants or other rights to purchase shares of our common stock (including, in each case, by way of “net” or “cashless” exercise), including for the payment of exercise price and tax and remittance payments due as a result of the vesting, settlement, or exercise of such restricted stock units, options, warrants or rights, provided that any such shares of common stock received upon such exercise, vesting or settlement shall be subject to the terms of the lock-up agreement, and provided further that any such restricted stock units, options, warrants or rights are held by the lock-up parties pursuant to an agreement or equity awards granted under a stock incentive plan or other equity award plan, each such agreement or plan which is described in this prospectus (including any exhibits filed herewith), or

(xi) pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction approved by our board of directors and made to all shareholders involving a change in control (for

purposes hereof, "change of control" shall mean the transfer (whether by tender offer, merger, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons, of shares of capital stock if, after such transfer, such person or group of affiliated persons would hold more than 50% of our outstanding voting securities (or the surviving entity)), provided that if such transaction is not completed, all such lock-up securities would remain subject to the restrictions;

provided that (A) in the case of any transfer, distribution or other disposition pursuant to clause (a)(i), (ii), (iii), (iv), (v), (vi) and (vii), such transfer shall not involve a disposition for value and each donee, devisee, transferee or distributee shall execute and deliver to the representatives a lock-up agreement, (B) in the case of any transfer, distribution or disposition pursuant to clauses (a)(i), (ii), (iii), (iv), (v), (vi), (ix) and (x), no filing by any party (donor, donee, devisee, transferor, transferee, distributer or distributee) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, or other public announcement shall be required or shall be made voluntarily in connection with such transfer or distribution (other than a filing on a Form 5 made after the expiration of the restricted period referred to above) and (C) in the case of any transfer or distribution pursuant to clauses (a)(vii) and (viii) it shall be a condition to such transfer that no public filing, report or announcement shall be voluntarily made and if any filing under Section 16(a) of the Exchange Act, or other public filing, report or announcement reporting a reduction in beneficial ownership of shares of common stock in connection with such transfer or distribution shall be legally required during the restricted period, such filing, report or announcement shall clearly indicate in the footnotes thereto the nature and conditions of such transfer;

(b) exercise of the options, settlement of RSUs or other equity awards, or the exercise of warrants granted pursuant to plans described in in this prospectus, provided that any lock-up securities received upon such exercise, vesting or settlement shall be subject to restrictions similar to those in the immediately preceding paragraph; (c) the conversion of outstanding preferred stock, warrants to acquire preferred stock, or convertible securities into shares of our common stock or warrants to acquire shares of our common stock, provided that any common stock or warrant received upon such conversion shall be subject to restrictions similar to those in the immediately preceding paragraph; (d) the establishment by lock-up parties of trading plans under Rule 10b5-1 under the Exchange Act, provided that such plan does not provide for the transfer of lock-up securities during the restricted period and no filing by any party under the Exchange Act or other public announcement shall be required or made voluntarily in connection with such trading plan during the restricted period; and (e) sell the shares of common stock to be sold by the lock-up party pursuant to the terms of the underwriting agreement.

The representatives, in their sole discretion, may release the securities subject to any of the lock-up agreements with the underwriters described above, in whole or in part at any time.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

We have applied to have our common stock approved for listing on Nasdaq Global Market under the symbol "TERN."

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' option to purchase additional shares referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their option to purchase additional shares, in whole or in part, or by purchasing shares in the open market. In making this determination,

the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the option to purchase additional shares. 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 that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act of 1933, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the Nasdaq Global Market, in the over-the-counter market or otherwise.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. In determining the initial public offering price, we and the representatives of the underwriters expect to consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the representatives;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our common shares, or that the shares will trade in the public market at or above the initial public offering price.

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and

other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

Notice to Prospective Investors in the European Economic Area and the United Kingdom

In relation to each Member State of the European Economic Area and the United Kingdom (each a "Relevant State"), no shares have been offered or will be offered pursuant to the offering to the public in that Relevant State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the underwriters; or

c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the underwriters and the Company that it is a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation. In the case of any shares being offered to a financial intermediary as that term is used in the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant State to qualified investors as so defined or in circumstances in which the prior consent of the underwriters have been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an "offer to the public" in relation to shares in any Relevant 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 or subscribe for any shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Regulation) (i) who 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, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons") or otherwise in circumstances which have not resulted and will not result in an offer to the public of the shares in the United Kingdom within the meaning of the Financial Services and Markets Act 2000.

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons.

Notice to Prospective Investors in Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, or FINMA, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), or the SFO, of Hong Kong and any rules made thereunder; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong), or the CO, or which do not constitute an offer to the public within the meaning of the CO. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Notice to Prospective Investors in Singapore

Each representative has acknowledged that this prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each representative has represented and agreed that it has not offered or sold any shares or caused the shares to be made the subject of an invitation for subscription or purchase and will not offer or sell any shares or cause the shares to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares, whether directly or indirectly, to any person in Singapore other than:

(a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time, or the SFA) pursuant to Section 274 of the SFA;

(b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notice to Prospective Investors in Japan

The shares have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any "resident" of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Notice to Prospective Investors in the United Arab Emirates

The shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the

United Arab Emirates (and the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this prospectus does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the Dubai Financial Services Authority.

Notice to Prospective Investors in Israel

In the State of Israel this prospectus shall not be regarded as an offer to the public to purchase shares of common stock under the Israeli Securities Law, 5728—1968, which requires a prospectus to be published and authorized by the Israel Securities Authority, if it complies with certain provisions of Section 15 of the Israeli Securities Law, 5728–1968, including, inter alia, if: (i) the offer is made, distributed or directed to not more than 35 investors, subject to certain conditions, or the Addressed Investors, or (ii) the offer is made, distributed or directed to certain qualified investors defined in the First Addendum of the Israeli Securities Law, 5728—1968, subject to certain conditions, or the Qualified Investors. The Qualified Investors shall not be taken into account in the count of the Addressed Investors and may be offered to purchase securities in addition to the 35 Addressed Investors. The company has not and will not take any action that would require it to publish a prospectus in accordance with and subject to the Israeli Securities Law, 5728—1968. We have not and will not distribute this prospectus or make, distribute or direct an offer to subscribe for our common stock to any person within the State of Israel, other than to Qualified Investors and up to 35 Addressed Investors.

Qualified Investors may have to submit written evidence that they meet the definitions set out in of the First Addendum to the Israeli Securities Law, 5728—1968. In particular, we may request, as a condition to be offered common stock, that Qualified Investors will each represent, warrant and certify to us and/or to anyone acting on our behalf: (i) that it is an investor falling within one of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968; (ii) which of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968 regarding Qualified Investors is applicable to it; (iii) that it will abide by all provisions set forth in the Israeli Securities Law, 5728—1968 and the regulations promulgated thereunder in connection with the offer to be issued common stock; (iv) that the shares of common stock that it will be issued are, subject to exemptions available under the Israeli Securities Law, 5728—1968: (a) for its own account; (b) for investment purposes only; and (c) not issued with a view to resale within the State of Israel, other than in accordance with the provisions of the Israeli Securities Law, 5728—1968; and (v) that it is willing to provide further evidence of its Qualified Investor status. Addressed Investors may have to submit written evidence in respect of their identity and may have to sign and submit a declaration containing, inter alia, the Addressed Investor’s name, address and passport number or Israeli identification number.

LEGAL MATTERS

The validity of the issuance of our common stock offered in this prospectus will be passed upon for us by Latham & Watkins LLP, Menlo Park, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Davis Polk & Wardwell LLP, New York, New York.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements at December 31, 2018 and 2019, and for each of the two years in the period ended December 31, 2019, as set forth in their report. 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 ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission, or 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 may read our SEC filings, including this registration statement, over the Internet at the SEC's website at www.sec.gov. Upon the completion of this offering, we will be subject to the information reporting requirements of the Exchange Act and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for review at the SEC's website referred to above. We also maintain a website at www.ternspharma.com, at which, following the completion 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 or the registration statement of which it forms a part, and the inclusion of our website address in this prospectus is an inactive textual reference only.

TERNS PHARMACEUTICALS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Terns Pharmaceuticals, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Terns Pharmaceuticals, Inc. (the Company) as of December 31, 2018 and 2019, the related consolidated statements of operations and comprehensive loss, non-controlling interest, convertible preferred stock and stockholders' deficit and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred significant losses and experienced negative cash flows from operations and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.
San Jose, California
November 10, 2020

TERNS PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share data)

	December 31, 2018	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 82,522	$ 12,327
Marketable securities	—	5,600
Short-term investments	4,361	1,723
Prepaid expenses and other current assets	1,593	2,574
Total current assets	88,476	22,224
Property and equipment, net	261	961
Other assets	335	719
Total assets	$ 89,072	$ 23,904
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 914	$ 1,636
Accrued expenses and other current liabilities	1,461	3,314
Total current liabilities	2,375	4,950
Non-current liabilities		
Deferred rent, net of current portion	—	285
Unrecognized tax benefit	142	345
Total liabilities	2,517	5,580
Commitments and contingencies (Note 13)		
Noncontrolling interest	14,325	14,117
Convertible preferred stock, $.0001 par value; 76,409,088 shares authorized as of December 31, 2018 and 2019, respectively; 62,628,785 shares issued and outstanding as of December 31, 2018 and 2019, respectively; aggregate liquidation value of $95,371 as of December 31, 2018 and 2019, respectively	94,967	94,967
Stockholders' deficit:		
Common stock, $0.0001 par value, 100,000,000 shares authorized at December 31, 2018 and 2019, respectively; 1,466,666 and 3,022,498 shares issued and outstanding, respectively at December 31, 2018 and 2019	—	—
Additional paid-in capital	455	1,208
Accumulated other comprehensive income (loss)	59	(106)
Accumulated deficit	(23,251)	(91,862)
Total stockholders' deficit	(22,737)	(90,760)
Total liabilities, noncontrolling interest, convertible preferred stock and stockholders' deficit	$ 89,072	$ 23,904

See accompanying notes to the consolidated financial statements.

TERNS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Amounts in thousands, except share and per share data)

	Year Ended December 31,	
	2018	2019
Operating expenses:		
Research and development	$ 14,554	$ 61,534
General and administrative	3,901	8,663
Total operating expenses	18,455	70,197
Loss from operations	(18,455)	(70,197)
Other income:		
Interest income	332	1,204
Other income, net	38	154
Total other income, net	370	1,358
Loss before benefit for income taxes	(18,085)	(68,839)
Benefit for income taxes	67	20
Net loss	(18,018)	(68,819)
Less: Net loss attributable to noncontrolling interest	(307)	(208)
Net loss attributable to common stockholders	$ (17,711)	$ (68,611)
Other comprehensive income (loss):		
Unrealized gain on available-for-sale securities, net of tax	$ —	$ 2
Foreign exchange translation adjustment, net of tax	(65)	(166)
Comprehensive loss	(18,083)	(68,983)
Less: Comprehensive loss attributable to noncontrolling interest	(320)	(231)
Comprehensive loss attributable to common stockholders	$ (17,763)	$ (68,752)
Net loss per share attributable to common stockholders, basic and diluted	$ (16.97)	$ (26.74)
Weighted average common stock outstanding, basic and diluted	1,043,744	2,565,692

See accompanying notes to the consolidated financial statements.

TERNS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF NONCONTROLLING INTEREST, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

(Amounts in thousands, except share data)

	Non-Controlling Interest	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Deficit
		Shares	Amount	Shares	Amount	Shares	Amount				
Balances at December 31, 2017	$ 2,590	9,750,000	$ 7,313	—	$ —	—	$ —	$ 156	$ 124	$ (5,540)	$ (5,260)
Issuance of Series A convertible preferred stock	—	19,500,000	14,625	—	—	—	—	—	—	—	—
Contributions from noncontrolling interest	12,042	—	—	—	—	—	—	—	—	—	—
Issuance of Series B convertible preferred stock, net of issuance costs of $404	—	—	—	33,378,785	73,029	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	50,000	—	7	—	—	7
Vesting of restricted stock	—	—	—	—	—	1,416,666	—	58	—	—	58
Stock-based compensation expense	—	—	—	—	—	—	—	234	—	—	234
Unrealized loss on foreign currency translation	—	—	—	—	—	—	—	—	(65)	—	(65)
Net loss	(307)	—	—	—	—	—	—	—	—	(17,711)	(17,711)
Balances at December 31, 2018	14,325	29,250,000	21,938	33,378,785	73,029	1,466,666	—	455	59	(23,251)	(22,737)
Exercise of stock options	—	—	—	—	—	139,166	—	26	—	—	26
Vesting of restricted stock	—	—	—	—	—	1,416,666	—	59	—	—	59
Stock-based compensation expense	—	—	—	—	—	—	—	668	—	—	668
Unrealized gain on available-for-sale securities	—	—	—	—	—	—	—	—	2	—	2
Unrealized loss on foreign currency translation	—	—	—	—	—	—	—	—	(167)	—	(167)
Net loss	(208)	—	—	—	—	—	—	—	—	(68,611)	(68,611)
Balances at December 31, 2019	$ 14,117	29,250,000	$21,938	33,378,785	$73,029	3,022,498	$ —	$ 1,208	$ (106)	$ (91,862)	$ (90,760)

See accompanying notes to the consolidated financial statements.

TERNS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31,	
	2018	2019
Cash flows from operating activities:		
Net loss	$ (18,018)	$ (68,819)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	234	668
Depreciation and amortization expense	65	195
Amortization and accretion on marketable securities	—	(40)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,564)	(987)
Other assets	(299)	(313)
Accounts payable	488	722
Accrued expenses and other current liabilities	877	1,858
Deferred rent	—	288
Unrecognized tax benefit	146	206
Net cash used in operating activities	(18,071)	(66,222)
Cash flows from investing activities:		
Purchase of property and equipment	(244)	(900)
Purchase of short-term investments	(6,949)	(13,314)
Proceeds from sale and maturity of short-term investments	2,417	15,919
Proceeds from sale and maturity of marketable securities	—	39,510
Purchase of marketable securities	—	(45,071)
Net cash used in investing activities	(4,776)	(3,856)
Cash flows from financing activities:		
Proceeds from issuance of Series A convertible preferred stock	14,625	—
Net proceeds from issuance of Series B convertible preferred stock	73,029	—
Contributions from noncontrolling interest	12,042	—
Net proceeds from repayment of founders' loans	58	58
Payment of deferred financing costs	—	(22)
Proceeds from stock option exercises	7	26
Net cash provided by financing activities	99,761	62
Effect of exchange rate changes on cash, cash equivalents and restricted cash	103	(131)
Net increase (decrease) in cash, cash equivalents and restricted cash	77,017	(70,147)
Cash, cash equivalents and restricted cash at beginning of period	5,505	82,522
Cash, cash equivalents and restricted cash at end of period	$ 82,522	$ 12,375
Supplemental disclosure of noncash operating activities:		
Cash paid for taxes	$ —	$ 72

See accompanying notes to the consolidated financial statements.

TERNS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business and Basis of Presentation

Terns Pharmaceuticals Inc. (Terns or Terns Cayman) is a clinical-stage biopharmaceutical company developing a portfolio of small-molecule single-agent and combination therapy candidates for the treatment of non-alcoholic steatohepatitis (NASH) and other chronic liver diseases. Terns was incorporated as an exempted company in the Cayman Islands with limited liability in December 2016. Terns owns all of the share capital of Terns Pharmaceutical HongKong Limited (organized in Hong Kong) (Terns Hong Kong) and Terns, Inc., a Delaware corporation (Terns U.S.). Terns Hong Kong holds the majority interest in Terns China Biotechnology Co., Ltd. (organized in Shanghai, People's Republic of China (PRC)) (Terns China) and its wholly owned subsidiary, Terns (Suzhou) Biotechnology Co., Ltd. (organized in Suzhou, PRC) (Terns Suzhou). Terns and its consolidated subsidiaries are hereinafter referred to as the "Company." The Company's principal offices are in Foster City, California. Terns China and Terns Suzhou are collectively referred to as the "China Subsidiaries."

The Company is subject to risks and uncertainties common to early-stage companies in the biopharmaceutical industry, including, but not limited to, successful discovery and development of its drug candidates, the ability to secure additional capital to fund operations, regulatory approval of its drug candidates, development by competitors of new technological innovations, dependence on key personnel, the ability to attract and retain qualified employees, compliance with governmental regulations, the impact of the COVID-19 coronavirus and, ultimately, the commercial success of its drug candidates. Any drug candidates the Company may develop will require extensive nonclinical and clinical testing and regulatory approval prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel, and infrastructure and extensive compliance-reporting capabilities. Even if the Company's development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales.

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of Terns and its wholly owned subsidiaries Terns U.S. and Terns Hong Kong, its wholly owned subsidiary Terns Suzhou, and a variable interest entity (VIE) Terns China in which Terns has a majority interest and is the primary beneficiary. The noncontrolling interest attributable to the Company's VIE is presented as a separate component from stockholders' deficit in the consolidated balance sheets, and a noncontrolling interest in the consolidated statements of operations and comprehensive loss and consolidated statements of noncontrolling interest, convertible preferred stock and stockholders' deficit (see Note 2, Summary of Significant Accounting Policies—Classification of Convertible Preferred Shares and Presentation of Noncontrolling Interest). The Company's consolidated financial statements have been prepared in conformity with U.S. GAAP. All intercompany balances and transactions have been eliminated in consolidation.

Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (ASC) and Accounting Standards Updates (ASUs) of the Financial Accounting Standards Board (FASB).

Variable Interest Entity

The Company consolidates a VIE where it has been determined that the Company is the primary beneficiary of the entity's operations. The Company has considered its relationships with a certain entity to determine whether the Company has a variable interest in that entity, and if so, whether the Company is the primary beneficiary of the relationship. U.S. GAAP requires VIEs to be consolidated if an entity's interest in the VIE is a controlling financial interest. Under the variable interest model, a controlling financial interest is determined

based on which entity, if any, has (i) the power to direct the activities of the VIE that most significantly impacts the VIE's economic performance and (ii) the obligations to absorb losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change. The consolidation status of a VIE may change as a result of such reassessments. Changes in consolidation status are applied prospectively in accordance with U.S. GAAP.

Going Concern

The Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company has not generated any revenue and does not expect to generate any revenue from the sale of products for the foreseeable future. The Company has incurred significant net losses and negative cash flows from operations. During the years ended December 31, 2018 and 2019, the Company incurred net losses of $18.0 million and $68.8 million on a consolidated basis, respectively, of which $0.3 million and $0.2 million was attributable to the noncontrolling interest as of December 31, 2018 and 2019, respectively. At December 31, 2019, the Company had an accumulated deficit of $91.9 million excluding $0.5 million of net losses that have been allocated to the noncontrolling interest. Including the losses allocated to the noncontrolling interest, the Company has incurred $92.4 million of losses to date on a consolidated basis. The Company expects to incur substantial operating losses and negative cash flows from operations for the foreseeable future. The Company had $12.3 million of cash and cash equivalents at December 31, 2019 and raised an additional $16.8 million from the issuance of convertible notes and a bridge loan in May 2020 (see Note 15, Subsequent Events).

Upon the completion of this offering, the Company expects to incur additional costs associated with operating as a public company. In the event the Company does not complete an initial public offering (IPO), the Company expects to seek additional funding through private equity financings, debt financings or other capital sources, including collaborations with other companies or other strategic transactions. The Company may not be able to obtain financing on acceptable terms, or at all. The terms of any financing may adversely affect the holdings or the rights of the Company's stockholders.

Based on the Company's planned operations, it does not expect its current cash, cash equivalents, marketable securities and short term investments to be sufficient to fund operations for at least 12 months after the date the consolidated financial statements are issued without raising additional capital through equity or debt financing, or potential additional collaboration proceeds. Therefore, management has determined that there is substantial doubt about the ability to continue as a going concern within one year after the date these consolidated financial statements are issued.

The Company plans to take steps intended to enable the continued operation of the business which may include pursuing additional funding. The Company will be required to raise additional capital to further advance its research and development programs, operate its business and meet its obligations as they come due. The Company expects to finance its future operations through the sale of common stock, debt financings or strategic alliances with third parties. However, there is no guarantee that any of these strategic or financing opportunities will be executed or realized on favorable terms, if at all, and some could be dilutive to existing stockholders. The Company's ability to raise additional capital through either the issuance of equity or debt, is dependent on a

number of factors including, but not limited to, the demand for the Company, which itself is subject to a number of development and business risks and uncertainties, as well as the uncertainty that the Company would be able to raise such additional capital at a price or on terms that are favorable to the Company.

If the Company is unable to meet its working capital needs, the Company will be forced to delay, reduce or eliminate some or all of its development programs which could adversely affect its business prospects, or the Company may be unable to continue operations. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The consolidated financial statements do not reflect any adjustments relating to the future effects of the recoverability and reclassification of assets and liabilities that may result from the outcome of uncertainty related to our ability to continue as a going concern.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic is rapidly evolving. The COVID-19 virus continues to impact countries worldwide, including the U.S. and China where the Company has business operations. The extent of the impact of the COVID-19 pandemic on business, operations and development timelines and plans remains uncertain, and will depend on certain developments, including the duration and spread of the outbreak and its impact on the Company's development activities, planned clinical trial enrollment, future trial sites, contract research organizations (CROs), third-party manufacturers and other third parties with whom the Company conducts business, as well as its impact on regulatory authorities and the Company's key scientific and management personnel. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. To the extent possible, the Company is conducting business as usual, with necessary or advisable modifications to employee travel and with employees working remotely. The Company will continue to actively monitor the rapidly evolving situation related to the COVID-19 pandemic and may take further actions that alter the Company's operations, including those that may be required by federal, state or local authorities in the U.S. and China, or that the Company determines are in the best interest of its employees and other third parties with whom the Company conducts business. At this point, the extent to which the COVID-19 pandemic may affect the Company's business, operations and development timelines and plans, including the resulting impact on expenditures and capital needs, remains uncertain.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Significant estimates and assumptions made in the accompanying consolidated financial statements include, but are not limited to, the estimates for accruals of research and development expenses, accrual of research contract costs, fair value of short-term investments, unrecognized tax benefits, fair value of common stock and stock option valuations. On an ongoing basis, the Company evaluates its estimates and judgments, using historical and anticipated results and trends and on various other assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of standard checking accounts and money market funds. The Company considers all highly liquid investments with an original maturity of 90 days or less at the date of purchase to be cash equivalents. Restricted cash represents a security deposit related to a lease.

The reconciliation of cash, cash equivalents and restricted cash reported within the applicable balance sheet line items that sum to the total of the same such amount shown in the consolidated statements of cash flows is as follows (in thousands):

	December 31,	
	2018	2019
Cash and cash equivalents	$ 82,522	$ 12,327
Restricted cash, non-current	—	48
	$ 82,522	$ 12,375

Marketable Securities

The Company classifies marketable securities with a remaining maturity when purchased of greater than three months as available-for-sale. Marketable securities with a remaining maturity date greater than one year are classified as non-current. The Company's marketable securities are maintained by investment managers and consist of U.S. Treasury securities and equity securities. Debt securities are carried at fair value with the unrealized gains and losses included in other comprehensive income (loss) as a component of stockholders' deficit until realized. Any premium arising at purchase is amortized to the earliest call date and any discount arising at purchase is accreted to maturity. Amortization and accretion of premiums and discounts are recorded in interest income and/or expense. Equity securities with readily determinable fair values are also carried at fair value with unrealized gains and losses are included in other income (expense), net. Realized gains and losses on both debt and equity securities are determined using the specific identification method and are included in other income (expense), net.

The Company classifies equity securities with readily determinable fair values, which would be available for use in its current operations, as current assets even though the Company may not dispose of such marketable securities within the next 12 months. Equity securities are included in marketable securities on the Company's consolidated balance sheet.

If any adjustment to fair value reflects a decline in value of the investment, the Company considers all available evidence to evaluate the extent to which the decline is "other-than-temporary" and, if so, marks the investment to market through a charge to the Company's consolidated statements of operations and comprehensive loss.

Short-term Investments

Short-term investments are comprised of structured deposits issued by certain banks whose interest is indexed to the fluctuation of the gold price, with original maturities between three months and one year with banks in China. The Company measures the short-term investments at fair value using the quoted subscription or redemption prices published by these banks. The change in fair value is recorded as interest income in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2018 and 2019.

Functional Currencies and Foreign Currency Translation

The Company's reporting currency is U.S. dollars. The functional currency of Terns U.S and Terns H.K. is U.S. dollars, while the functional currency of Terns Suzhou and Terns China is the Chinese Yuan (CNY). Transactions denominated in other than the functional currencies are remeasured into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Financial assets and liabilities denominated in other than the functional currency are remeasured at the balance sheet date exchange rate. The resulting exchange rate differences are recorded in the consolidated statements of operations and comprehensive loss as a foreign exchange related gain or loss.

Assets and liabilities of Terns Suzhou and Terns China are translated into U.S. dollars at the balance sheet date exchange rates, while income and expense items are translated at the average exchange rates prevailing during the fiscal year. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as accumulated other comprehensive income (loss) on the consolidated balance sheets.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash, cash equivalents, marketable securities and short-term investments. The Company invests its excess cash with large financial institutions that management believes to be of high credit quality. The Company has not experienced any losses on such deposits.

The Company's drug candidates require approvals from the U.S. Food and Drug Administration and comparable foreign regulatory agencies prior to generating commercial sales in their respective jurisdictions. There can be no assurance that any drug candidates will receive the necessary approvals. If the Company is denied approval, approval is delayed or the Company is unable to maintain approval for any drug candidate, it could have a materially adverse impact on the Company.

Deferred Offering Costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded as a reduction to the carrying value of stockholders' deficit as a reduction of additional paid-in capital or equity generated as a result of such offering. Should an in-process equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the consolidated statements of operations and comprehensive loss.

Fair Value Measurements of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of inputs that may be used to measure fair value are defined below:

- Level 1—Quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2—Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3—Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The carrying values of the Company's other assets, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term nature of these assets and liabilities.

Classification of Convertible Preferred Stock and Presentation of Noncontrolling Interest

The holders of Series A and Series B convertible preferred stock have certain liquidation rights in the event of a deemed liquidation that, in certain situations, is not solely within the control of the Company and would call for the redemption of the then outstanding Series A and Series B convertible preferred stock. Therefore, the Series A and Series B convertible preferred stock are classified outside of shareholders' deficit on the consolidated balance sheets. The carrying value of the convertible preferred stock is not subsequently remeasured to the redemption value until the contingent redemption events are considered to be probable of occurring.

The Company recognizes noncontrolling interest related to VIE's, in which the Company is the primary beneficiary, as equity in the consolidated financial statements separate from the parent entity's equity. The net loss attributable to noncontrolling interest is included in net loss in the consolidated statements of operations and comprehensive loss. Changes in the parent entity's ownership interest in a subsidiary that do not result in deconsolidation are treated as equity transactions if the parent entity retains its controlling financial interest. In addition, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary will be initially measured at fair value and the difference between the carrying value and fair value of the retained interest will be recorded as a gain or loss.

Terns China, the Company's VIE, was established as a financing subsidiary to allow investment by Lilly Asia Ventures (LAV) investment entities: Suzhou Litai Equity Investment Centre (Limited Partnership) (PRC) and Suzhou Lirui Equity Investment Centre (Limited Partnership) (PRC), collectively referred to as the "LAV PRC Entities". The Company's board of directors has the unilateral ability to control the Terns China board of directors. Following the completion of the China Conversion, the Company does not currently anticipate any further direct investments into Terns China and Terns China will only act as an operating subsidiary for the Company's business activities in China. Net losses of the China Subsidiaries have been allocated based on their ownership percentage to the LAV PRC Entities' noncontrolling interest and are reflected in the consolidated statements of operations and comprehensive loss. The noncontrolling interest is classified outside of stockholders' deficit on the consolidated balance sheets as it is redeemable for cash based on an investor option after a specified date.

Segment Information

The Company manages its operations as a single segment for the purposes of assessing performance and making operating decisions.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses consist of costs incurred to discover, research and develop drug candidates, including personnel expenses, stock-based compensation expense, allocated facility-related and depreciation expenses, third-party license fees and external costs including fees paid to consultants and CROs, in connection with nonclinical studies and clinical trials, and

other related clinical trial fees, such as for investigator grants, patient screening, laboratory work, clinical trial database management, clinical trial material management and statistical compilation and analysis. Non-refundable prepayments for goods or services that will be used or rendered for future research and development activities are recorded as prepaid expenses. Such amounts are recognized as an expense as the goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered, or the services rendered. Costs incurred in obtaining technology licenses are charged immediately to research and development expense if the technology licensed has not reached technological feasibility and has no alternative future uses.

The Company has from time to time entered into various research and development and other agreements with commercial firms, researchers, universities and others for provisions of goods and services. These agreements are generally cancelable, and the related costs are recorded as research and development expenses as incurred. The Company records accruals for estimated ongoing research and development costs. When evaluating the adequacy of the accrued liabilities, the Company analyzes progress of the studies or clinical trials, including the phase or completion of events, invoices received and contracted costs. Significant judgments and estimates are made in determining the accrued balances at the end of any reporting period. Actual results could differ materially from the Company's estimates. Since inception, the Company's historical accrual estimates have not been materially different from the actual costs.

Patent Costs

All patent-related costs incurred in connection with filing and prosecuting patent applications are expensed as incurred due to the uncertainty of the recovery of the expenditure. Amounts incurred are classified as general and administrative expenses in the consolidated statements of operations and comprehensive loss.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives. The general range of useful lives of equipment are as follows:

	Estimated Useful Life
Furniture and fixtures	5 years
Computer equipment	3 years
Office equipment	5 years
Lab equipment	3 to 5 years
Leasehold improvements	Shorter of remaining life of the lease or useful life of asset

When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded in operating expenses in the consolidated statements of operations and comprehensive loss. Costs of repairs and maintenance are expensed as incurred.

Impairment of Long-Lived Assets

The Company's long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset or

asset group to the future undiscounted cash flows expected to be generated by the asset or asset group. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. There were no impairments of long-lived assets for any of the periods presented.

Income Taxes

Income taxes are computed using the asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements. In estimating future tax consequences, the Company considers all expected future events other than enactment of changes in tax laws or rates. A valuation allowance is recorded, if necessary, to reduce net deferred tax assets to their realizable values if management does not believe it is more likely than not that the net deferred tax assets will 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, and ongoing prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. When the Company establishes or reduces the valuation allowance against its deferred tax assets, its provision for income taxes will increase or decrease, respectively, in the period such determination is made.

The Company follows the provisions of the authoritative guidance from the FASB, on accounting for uncertainty in income taxes. These provisions provide a comprehensive model for the recognition, measurement and disclosure in financial statements of uncertain income tax positions that a company has taken or expects to take on a tax return. Under these provisions, a company can recognize the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit can be recognized. Assessing an uncertain tax position begins with the initial determination of the sustainability of the position and is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed. Additionally, the Company must accrue interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws.

Common Stock Valuation

Due to the absence of an active market for the Company's common stock, the Company utilized methodologies in accordance with the framework of the American Institute of Certified Public Accountants Technical Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, to estimate the fair value of its common stock. In determining the fair value of options granted, the Company has considered the estimated fair value of the common stock as of the measurement date. The estimated fair value of the common stock has been determined at each grant date based upon a variety of factors, including:

- the prices at which the Company sold shares of convertible preferred stock and the superior rights and preferences of the convertible preferred stock relative to its common stock at the time of each grant;
- the progress of the Company's research and development programs, including the status and results of clinical and nonclinical studies for its drugs;
- the Company's stage of development and commercialization and its business strategy;
- external market conditions affecting the biotechnology industry and trends within the biotechnology industry;

- the Company's financial position, including cash on hand, and its historical and forecasted performance and operating results;
- the lack of an active public market for the Company's common stock and convertible preferred stock;
- the likelihood of achieving a liquidity event, such as an IPO or sale of the Company in light of prevailing market conditions; and
- the analysis of IPOs and the market performance of similar companies in the biotechnology industry.

Significant changes to the key assumptions underlying the factors used could have resulted in different fair values of common stock at each valuation date.

Comprehensive Loss

Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. For the years ended December 31, 2018 and 2019, the Company had unrealized gains and foreign exchange translation adjustments, which were a component of comprehensive loss.

Stock-Based Compensation

Stock-based compensation expense, including grants of stock options and restricted stock awards issued under the Company's equity incentive plan, is measured at the grant date based on the fair value of the awards and is recognized as an expense on a straight-line basis over the requisite service period, which is generally the vesting period. The Company's determination of the fair value of stock options with time-based vesting utilizes the Black-Scholes option-pricing model. The Company estimates volatility using stock prices of peer companies, risk-free rates using the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term, and dividend yield using the Company's expectations and historical data. The Company uses the simplified method to calculate the expected term of stock option grants. Under the simplified method, the expected term is estimated to be the mid-point between the vesting date and the contractual term of the option. The fair value of each stock option grant is calculated based upon the Company's common stock valuation on the date of the grant. The Company accounts for forfeitures of stock option grants as they occur.

Net Loss Per Common Share

The Company follows the two-class method when computing net income (loss) per common share as the Company has issued shares that meet the definition of participating securities. The two-class method determines net income (loss) per common share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic net income (loss) per common share is computed by dividing the net income (loss) per common share by the weighted average number of common shares outstanding for the period. Diluted net income (loss) per common share is computed by adjusting net income (loss) to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net loss per common share is computed by dividing the diluted net loss by the weighted average number of common shares outstanding for the period, including potential dilutive common shares. For purposes of this calculation, outstanding stock options and convertible preferred stock are considered potential dilutive common shares.

The Company's convertible preferred stock contractually entitles the holders of such shares to participate in dividends but do not contractually require the holders of such shares to participate in losses of the Company. Accordingly, in periods in which the Company reports a net loss, such losses are not allocated to such securities. In periods in which the Company reports a net loss, diluted net loss per common share is the same as basic net loss per common share, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. The Company reported a net loss for the years ended December 31, 2018 and 2019.

Emerging Growth Company Status

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies. The Company is an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, as amended (JOBS Act). Under the JOBS Act, emerging growth companies have extended transition periods available for complying with new or revised accounting standards. The Company has elected to use this exemption to delay adopting new or revised accounting standards until such time as those standards apply to private companies. Where allowable, the Company has early adopted certain standards as described below.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The Company early adopted ASU 2019-12 effective January 1, 2019. ASU 2019-12 removes the exception to the incremental approach for intra-period tax allocation in the event of a loss from continuing operations and income or gain from other items such as other comprehensive income. The exception previously resulted in allocating a tax benefit to continuing operations and tax expense to other items, even when tax expense may have been zero. Under the simplification, no tax expense or benefit will be recorded to continuing operations. There is no impact on the Company's financial statements for this amendment under ASU 2019-12. The other provisions within ASU 2019-12 are not applicable to the Company.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)—Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which removed the following disclosure requirements: (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) the policy for timing of transfers between levels; and (3) the valuation processes for Level 3 fair value measurements. Additionally, this update added the following disclosure requirements: (1) the changes in unrealized gains and losses for the period included in other comprehensive income and loss for recurring Level 3 fair value measurements held at the end of the reporting period; (2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. The Company early adopted ASU 2018-13 on January 1, 2019. For the new disclosures regarding the Company's Level 3 fair value measurements, (see Note 6, Fair Value).

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815)* (ASU 2017-11). Part I to ASU 2017-11

eliminates the requirement to consider "down round" features when determining whether certain equity-linked financial instruments or embedded features are indexed to an entity's own stock. In addition, entities have to make new disclosures for financial instruments with down round features and other terms that change conversion or exercise prices. Part I to ASU 2017-11 was effective for fiscal years beginning after December 31, 2018. The amendments in Part II of ASU 2017-11 do not have an effective date because the amendments do not have an accounting effect. The Company adopted ASU 2017-11 on January 1, 2019 with no material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* (ASU 2014-09), which amended the existing FASB Accounting Standards Codification. ASU 2014-09 supersedes the revenue recognition requirements in Revenue Recognition (Topic 605) and establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The standard also provides guidance on the recognition of costs related to obtaining and fulfilling customer contracts. Additionally, the standard requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

ASU 2014-09, as amended, is effective for fiscal 2019, including interim periods within that reporting period. The standard allows for two different methods of adoption. The full retrospective method allows the amendment to be applied retrospectively to each prior period presented, and the modified retrospective method allows the amendment to be applied with the cumulative effect recognized as of the date of initial application. The Company early adopted this standard on January 1, 2017 and the adoption had no impact on the Company's consolidated financial statements as the Company does not currently have any revenue-generating arrangements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less may be accounted for similar to existing guidance for operating leases today. For non-public entities, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2020, including interim periods within those fiscal years, and early adoption is permitted. The Company is in the process of completing its review of its existing lease agreements under Topic 842 and does not expect the adoption of ASU 2016-02 to have a material impact on its financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual private company reporting periods, and interim periods within those years, beginning after December 15, 2023. The Company is currently in the process of evaluating the impact of the adoption of ASU 2016-13 on its consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Marketable Securities

Marketable securities consist of the following (in thousands):

	As of December 31, 2019:			
	Amortized cost/cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 3,498	$ 1	$ —	$ 3,499
Equity securities	2,100	1	—	2,101
	$ 5,598	$ 2	$ —	$ 5,600

The Company did not have any marketable securities for the year ended December 31, 2018. No available-for-sale debt securities held as of December 31, 2019 had remaining maturities greater than three years.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	December 31,	
	2018	2019
Prepaid research and development costs	$ 1,431	$ 2,113
Other current assets	162	461
	$ 1,593	$ 2,574

5. Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	December 31,	
	2018	2019
Leasehold improvements	$ 174	$ 772
Furniture and fixtures	99	201
Computer equipment	62	128
Office equipment	1	40
Lab equipment	—	89
Property and equipment, gross	336	1,230
Less: Accumulated depreciation	(75)	(269)
Property and equipment, net	$ 261	$ 961

The Company recognized depreciation expense related to these assets of less than $0.1 million and $0.3 million during the years ended December 31, 2018 and 2019, respectively.

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6. Fair Value

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	As of December 31, 2018:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 82,522	$ —	$ —	$ 82,522
Short-term investments—structured deposits	—	4,361	—	4,361
	$ 82,522	$ 4,361	$ —	$ 86,883

	As of December 31, 2019:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 12,327	$ —	$ —	$ 12,327
Marketable securities	5,600	—	—	5,600
Short-term investments—structured deposits	—	1,723	—	1,723
	$ 17,927	$ 1,723	$ —	$ 19,650

During the years ended December 31, 2018 and 2019, there were no transfers between Level 1, Level 2 and Level 3.

7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities included the following (in thousands):

	December 31,	
	2018	2019
Research and development costs	$ 626	$1,852
Compensation and benefit costs	708	1,216
Other	127	246
	$1,461	$3,314

8. Convertible Preferred Stock

As of December 31, 2018 and 2019, the Company's certificate of incorporation as amended and restated, authorized the Company to issue 40,000,000 shares of Series A convertible preferred stock at par value of $0.0001 and 36,409,088 shares of Series B convertible preferred stock at par value of $0.0001.

On April 7, 2017, the Company entered into a Series A convertible preferred stock purchase agreement (Series A Agreement) whereby the Company issued 29,250,000 shares of Series A convertible preferred stock at $0.75 per share for an aggregate purchase price of $21.9 million.

The cash proceeds associated with the sale of the Series A convertible preferred stock were to be received by the Company over three tranches of payments. The first tranche was due and payable within 20 business days

of the closing of the Series A financing while the second and third tranches were due and payable upon the Company's completion of certain milestones. The Company determined that the second tranche payment and third tranche payment each did not meet the definition of a freestanding financial instrument because the obligation on the applicable stockholder was not legally detachable or separately exercisable from the host share.

The Company received $7.3 million for tranche 1 on April 12, 2017, $7.3 million for tranche 2 on February 27, 2018 and $7.3 million for tranche 3 on July 3, 2018.

Terns China received an aggregate $8.0 million from the LAV PRC Entities in three tranches over the same period, which is presented as a noncontrolling interest (see Note 2, Summary of Significant Accounting Policies). In connection with the Series A Agreement and this Terns China investment, the Company also issued an option to the LAV PRC Entities to convert their interest in the China Subsidiaries into an interest in Terns Cayman (the LAV Option).

On October 19, 2018, the Company entered into a Series B convertible preferred share purchase agreement (Series B Agreement), whereby the Company issued 33,378,785 shares of Series B convertible preferred stock at $2.20 per share for an aggregate purchase price of $73.4 million.

Terns China received $6.7 million from the LAV PRC Entities in connection with the Series B financing, which is presented as a noncontrolling interest. In connection with the Series B Agreement and this Terns China investment, the LAV Option was to allow the LAV PRC Entities to convert this interest in the China Subsidiaries into an interest in Terns Cayman.

Series A convertible preferred stock and Series B convertible preferred stock are collectively referred to as "convertible preferred stock." As of each balance sheet date, convertible preferred stock consisted of the following (in thousands, except share amounts):

	As of December 31, 2018 and 2019				
	Convertible Preferred Stock Authorized	Convertible Preferred Stock Issued and Outstanding	Carrying Value	Liquidation Preference	Common Stock Issuable Upon Conversion
Series A convertible preferred stock	40,000,000	29,250,000	$ 21,938	$ 21,938	29,250,000
Series B convertible preferred stock	36,409,088	33,378,785	73,029	73,433	33,378,785
	76,409,088	62,628,785	$ 94,967	$ 95,371	62,628,785

As of December 31, 2019, the rights and privileges of the holders of the convertible preferred stock were as follows:

Conversion

Shares of preferred stock are convertible, at the option of the holder, at any time, into shares of common stock. The number of shares is determined by dividing the original issuance price by the conversion price, which is also equal to the original issuance price. The conversion price of the preferred stock is subject to adjustment to prevent dilution in the event that the Company issues additional shares of common stock at a price per share less than the Series A convertible preferred stock or Series B convertible preferred stock conversion price. These rights terminate in the event of a liquidation or winding up of the Company. No fractional shares will be issued.

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Liquidation Preference

In the event of any liquidation, dissolution, winding up of the Company or deemed liquidation event, either voluntarily or involuntarily, all assets and funds of the Company legally available for distribution will be distributed to the members of the Company at an amount equal to the respective Series A convertible preferred stock issuance price of $0.75 per share and Series B convertible preferred stock issuance price of $2.20 per share, plus any declared but unpaid dividends, first to the Series B convertible preferred stockholders, then the Series A convertible preferred stockholders.

If there are any assets or funds remaining after the distribution to the convertible preferred stockholders, the remaining assets and funds of the Company will be distributed ratably among all members according to the number of shares of common stock held by each member, treating all shares of convertible preferred stock as if it had been converted to common stock immediately prior to the liquidation, dissolution or winding up of the Company.

Dividends

As of December 31, 2019, the holders of the convertible preferred stock are entitled to be paid non-cumulative dividends if and when declared by the Company's board of directors. The Company may not pay any dividends on shares of common stock of the Company unless the holders of the convertible preferred stock then outstanding simultaneously receive dividends at the same rate and same time as dividends paid with respect to common stock. The holders of Series B convertible preferred stock are entitled to receive dividends prior and in preference to any payments to the holders of Series A convertible preferred stock and common stock. After payment of dividends to the holders of Series B convertible preferred stock, the holders of Series A convertible preferred stock are entitled to receive dividends prior and in preference to any payment to holders of common stock. Any additional dividends paid in any fiscal year will be paid among the holders of preferred stock and common stock then outstanding on an as-converted basis. Through October 2018, dividends were cumulative, and accrued at a rate of 8.0%. Upon issuance of the Series B convertible preferred stock in October 2018, the dividends became non-cumulative. Dividends shall be 8.0% of the price per share per annum, payable only when and if declared by the Company's board of directors. Through December 31, 2019, no cash dividends have been declared or paid by the Company.

Voting Rights

Each holder of outstanding convertible preferred stock is entitled to cast the number of votes equal to the whole number of shares of common stock into which the shares of convertible preferred stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Fractional votes are not permitted, and any fractional voting rights available on an as-converted basis will be rounded to the nearest whole number. To the extent that convertible preferred stock is allowed to vote separately, that series of the convertible preferred stock will have the right to vote separately as a class or series.

Redemption

The Series B convertible preferred stock is redeemable by the Company at any time after the fourth anniversary of the Series B convertible preferred stock issue date provided that (a) Terns, the China Subsidiaries and LAV (Group Companies) taken as a whole have not filed at least two INDs with the U.S. Food and Drug Administration, the China Food and Drug Administration, or both with respect to the Group Companies' self-developed drug programs (including at least one NASH program), (b) if the Series A preferred stockholders become entitled to redemption resulting from breach of the Series A convertible preferred stock transaction documents by the Group Company or Company founders, or (c) if any of the Group Company or the Company founders materially breaches any provisions of the Series B convertible preferred stock transaction documents.

Provided that the Company has fully paid the Series B convertible preferred stock redemption price on all Series B convertible preferred stock redeeming preferred shares, pursuant to (a) and (b) above, any Series A holder may request redemption with the consent of a majority of the outstanding Series A convertible preferred stock holders.

The holders of Series A and Series B convertible preferred stock have certain liquidation rights in the event of a deemed liquidation that, in certain situations, is not solely within the control of the Company and would call for the redemption of the then outstanding Series A and Series B convertible preferred stock. Therefore, the Series A and Series B convertible preferred stock are classified outside of stockholders' deficit on the consolidated balance sheets. The carrying value of the convertible preferred stock is not subsequently remeasured to the redemption value until the contingent redemption events are considered to be probable of occurring.

9. Common Stock

As of December 31, 2018 and 2019, the Company's amended and restated memorandum and articles authorized the Company to issue 100,000,000 shares of common stock with a par value of $0.0001 per share. The voting, dividend and liquidation rights of the holders of the Company's common shares are subject to and qualified by the rights, powers and preferences of the holders of the convertible preferred stock set forth above.

As of each balance sheet date, the Company had reserved shares of common stock for issuance in connection with the following:

Shares reserved:

	December 31,	
	2018	2019
Conversion of outstanding shares of convertible preferred stock	62,628,785	62,628,785
LAV Options issued and outstanding	13,780,303	13,780,303
Options outstanding under the 2017 stock plan	1,715,000	6,694,062
Shares available for future grant under the 2017 stock plan	11,670,605	7,052,377
	89,794,693	90,155,527

Each common share entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, if any, as may be declared by the Company's board of directors, subject to the preferential dividend rights of the convertible preferred stock. Through December 31, 2019, no cash dividends have been declared or paid by the Company.

10. Stock-Based Compensation

In 2017, the Company's board of directors and stockholders approved and adopted the Terns Inc. 2017 Equity Incentive Plan (Plan). The Plan is intended to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company. The Plan permits the grant of options and restricted stock awards. The maximum aggregate number of shares that may be subject to awards and sold under the Plan as of December 31, 2018 and 2019 is 15,102,272. The shares may be authorized but unissued, or reacquired common stock. For the U.S optionees, the exercise price for each option shall be established at the discretion of the board of directors; provided, however, that (i) the exercise price per share for an option shall be no less than 100% of the fair market value of a share of common stock on the effective date of the grant of the option and (ii) no incentive stock option granted to a ten percent stockholder shall have an

exercise price per share less than 110% of the fair market value of a share of common stock on the effective date of the grant of the option. Stock options granted to employees and nonemployees under the Plan generally vest over four years. One grant to a Terns China employee was granted with an exercise price of $0.0001 per option. Options granted under the Plan generally expire ten years after the date of grant. Options granted under the Plan to a ten percent stockholder expire five years after the date of the grant. At December 31, 2018 and 2019, 11,670,605 shares and 7,052,377 shares were available for future grants, respectively.

Stock Option Activity

The following table summarizes the stock option activity under the Plan:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2018	1,715,000	$ 0.15	9.08	$ 501
Granted	6,245,000	0.37		
Exercised	(139,166)	0.19		
Forfeited	(1,126,772)	0.37		
Outstanding as of December 31, 2019	6,694,062	$ 0.32	8.94	$ 2,277
Options exercisable as of December 31, 2019	1,830,834	$ 0.33	8.67	$ 606
Options unvested as of December 31, 2019	4,863,228	$ 0.32	9.04	$ 1,672

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had exercise prices lower than the fair value of the Company's common stock.

The weighted-average grant date fair value of options granted during the years ended December 31, 2018 and 2019 was $0.10 and $0.32 per share, respectively. As of December 31, 2018 and 2019, respectively, there was $0.2 million and $1.7 million of unrecognized stock-based compensation expense related to unvested stock options. The unrecognized stock-based compensation expense is estimated to be recognized over a period of 2.92 years as of December 31, 2019.

The total fair value of options vested during the years ended December 31, 2018 and 2019, was less than $0.1 million and $0.3 million, respectively.

Stock-Based Compensation Expense

The Company estimated the fair value of options granted using a Black-Scholes option pricing model with the following assumptions presented on a weighted average basis:

	Year Ended December 31,	
	2018	2019
Expected option life	6.03 Years	5.98 Years
Expected volatility	63.51%	63.84%
Risk-free interest rate	2.69%	2.38%
Expected dividend yield	0%	0%
Fair value of underlying common stock	$ 0.16	$ 0.47
Fair value of option	$ 0.10	$ 0.32

Expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

The activity for restricted stock is summarized as follows:

	Number of Shares	Grant-Date Fair Value
Unvested restricted common stock as of December 31, 2018	4,250,000	$ 0.14
Granted	—	—
Vested	(1,416,666)	0.14
Forfeited	(500,000)	0.14
Unvested restricted common stock as of December 31, 2019	2,333,334	$ 0.14

As of December 31, 2018 and 2019, there was $0.3 million and $0.2 million of unrecognized stock-based compensation expense related to restricted stock granted by the Company, respectively. The unrecognized stock-based compensation expense is estimated to be recognized over a period of 1.27 years as of December 31, 2019. The total fair value of the restricted stock vested during the years ended December 31, 2018 and 2019 was $0.2 million.

Stock-based compensation expense was classified in the consolidated statements of operations and comprehensive loss as follows (in thousands):

	Year Ended December 31,	
	2018	2019
Research and development expense	$ 85	$228
General and administrative expense	149	440
Total stock-based compensation expense	$234	$668

11. Income Taxes

The following table presents domestic and foreign components of income (loss) before income taxes (in thousands):

	Year Ended December 31,	
	2018	2019
U.S.	$ 1,574	$ (770)
Foreign	(19,659)	(68,069)
	$(18,085)	$(68,839)

The reconciliation of the Federal statutory income tax benefit to the Company's effective income tax benefit is as follows:

	Year Ended December 31,	
	2018	2019
Tax benefit at U.S. statutory rate	21.00%	21.00%
State income taxes, net of Federal tax benefit	0.00	0.00
Foreign income taxed at non-U.S. rates	(20.68)	(20.32)
Other permanent items	6.59	2.78
Stock-based compensation	(0.02)	(0.12)
Research and development credits	1.29	1.06
Unrecognized tax benefit	(9.25)	(3.85)
Other	1.44	(0.52)
	0.37%	0.03%

Income taxes for the years ended December 31, 2018 and 2019 consisted of the following (in thousands):

	Year Ended December 31,	
	2018	2019
Current		
Federal	$ 66	$ 42
State	1	1
Foreign	108	236
Total current	$ 175	$ 279
Deferred		
Federal	$(138)	$(266)
Foreign	(104)	(33)
Total deferred	$(242)	$(299)
Total benefit for income taxes	$ (67)	$ (20)

Deferred income taxes reflect the net tax effects of loss and credit carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for

income tax purposes. The Company's deferred income tax assets and liabilities at December 31, 2018 and 2019 were comprised of the following (in thousands):

	As of December 31,	
	2018	2019
Deferred tax assets:		
Accruals and reserves	$ 224	$ 353
Stock-based compensation	73	110
Net operating loss	—	47
Research and development credits	125	448
Valuation allowance	(125)	(299)
Total deferred tax assets	$ 297	$ 659
Deferred tax liabilities:		
Fixed assets	$ (12)	$ (74)
Total deferred tax liabilities	(12)	(74)
Net deferred tax assets	$ 285	$ 585

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Consequently, the Company has recorded a state valuation allowance on research and development deferred tax assets of $0.1 million and $0.3 million at December 31, 2018 and 2019, respectively.

The difference between the provision for income taxes and the income tax determined by applying the statutory federal income tax rate of 21.00% was due primarily to losses generated in certain foreign jurisdiction where no benefit was recorded and unrecognized tax benefit for tax positions related to research and development credits and transfer pricing between jurisdictions.

As of December 31, 2018, and 2019, the Company had federal research credit carryforward of approximately $0.2 million and $0.6 million, respectively, which begins to expire after 2037, and California research credit carryforward of approximately $0.2 million and $0.5 million which does not expire.

Utilization of the research and development credit carryforward may be subject to an annual limitation due to the ownership percentage change limitations provided by the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of the research and development credits before utilization. The amount of such limitation, if any, has not been determined.

As of December 31, 2018 and 2019, the total amount of unrecognized tax benefits was, $1.9 million and $4.7 million respectively, $1.8 million and $4.5 million of which would affect income tax expense, respectively, if recognized, before consideration of any valuation allowance. The Company does not expect the unrecognized tax benefits to change significantly over the next 12 months.

A reconciliation of the beginning and ending unrecognized tax benefit are as follows (in thousands):

	Year Ended December 31,	
	2018	2019
Unrecognized tax benefit at beginning of year	$ 66	$1,884
Increases related to current year tax position	1,818	2,825
Unrecognized tax benefit at end of year	$1,884	$4,709

The Company includes interest and penalties related to unrecognized tax benefits within the provision for income taxes. As of December 31, 2018 and 2019, the total amount of gross interest accrued and penalties was nominal.

The Company is subject to income taxes in the U.S. federal, state, and various foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company's tax years remain open for examination by all tax authorities since inception as well as carryover attributes beginning December 31, 2017, remain open to adjustment by the U.S. and foreign authorities.

12. Net Loss Per Common Share

Basic and diluted net loss per common share were calculated as follows (in thousands, except share and per share amounts):

	Year Ended December 31,	
	2018	2019
Numerator:		
Net loss	$ (18,018)	$ (68,819)
Less: Net loss attributable to noncontrolling interest	(307)	(208)
Net loss attributable to common stockholders	$ (17,711)	$ (68,611)
Denominator:		
Weighted average common stock outstanding, basic and diluted	1,043,744	2,565,692
Net loss per share attributable to common stockholders, basic and diluted	$ (16.97)	$ (26.74)

The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss attributable to common stockholders per common share for the periods indicated because including them would have had an anti-dilutive effect:

	Year Ended December 31,	
	2018	2019
Options to purchase common stock	1,715,000	6,694,062
Restricted common stock	4,250,000	2,333,334
Convertible preferred stock (as converted to common stock)	62,628,785	62,628,785
Options to purchase convertible preferred stock (as converted to common stock)	13,780,303	13,780,303
	82,374,088	85,436,484

13. Commitments and Contingencies

Lease Agreements

In October 2015, the Company entered into a lease agreement for office space in San Mateo, California which expired October 31, 2019. The monthly lease payments were $9,608.

In March 2018, the Company entered into a lease agreement for office space in Shanghai China, which expires on May 31, 2021. Monthly lease payments are inclusive of base rent, property management fee and the respective value added tax to be paid. Monthly lease payments include base rent of approximately $15,000 through May 31, 2021.

In November 2018, the Company entered into a lease agreement for office space in Beijing China, which expired on November 30, 2019. In August 2019, the Company renewed the lease and the lease expires on November 30, 2020. Monthly lease payments are inclusive of base rent, property management fee and the respective value added tax to be paid. Monthly lease payments include base rent of approximately $3,000 through November 30, 2020.

In March 2019, the Company entered into a lease agreement for office space in Foster City, California which expires October 2024. The Company has the option to extend the lease agreement for a period of five years. The monthly lease payments include base rent charges of $48,000. The lease provides for a rent abatement and scheduled increases in base rent. In connection with the lease, the Company has made a one-time security deposit in the amount of $48,000 which was included in other current assets in the consolidated balance sheets.

In June 2019, the Company entered into a lease agreement for office space in Suzhou China, which expires on September 30, 2022. Monthly lease payments are inclusive of base rent, property management fee and the respective value added tax to be paid. Monthly lease payments include base rent of approximately $4,000 through September 30, 2022.

Future minimum lease payments due under operating leases as of December 31, 2019 are as follows (in thousands):

2020	$ 857
2021	739
2022	668
2023	652
2024	562
Thereafter	—
Total	$3,478

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business. The Company accrues a liability for such matters when it is probable that future expenditures will be made, and such expenditures can be reasonably estimated. For all periods presented, the Company was not a party to any pending material litigation or other material legal proceedings.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to,

losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. As of December 31, 2018 and 2019, the Company had not incurred any material costs as a result of such indemnifications.

14. Assignment, License and Collaboration Agreements

Technology Assignment Agreement

On April 7, 2017, the Company entered into an assignment agreement with CuRxgen Therapeutics, Inc. (CuRxgen) (CuRxgen 2017 Assignment Agreement). Under the terms of the CuRxgen 2017 Assignment Agreement, CuRxgen agreed to sell, assign, transfer, absolutely and irrevocably the assignment of all its right, title and interest in and to the technologies (including the deliverables and all intellectual property rights), free from all other rights, charges and encumbrances (whether monetary or not) and gave the Company a third party assignment right that allows the Company to further sell either technology, including its further development, production and commercialization rights and results and the products (if any), taken as a whole. The Company is required to use commercially reasonable efforts to meet development event milestones.

The Company paid CuRxgen a non-refundable, non-creditable upfront payment of $1.5 million. The Company agreed to pay CuRxgen $1.5 million upon the completion of the first human dose in the first phase 1 study of each technology ($3.0 million collectively upon completion of the first human dose in the first phase 1 study of both technologies). In addition, the Company agreed to pay up to an aggregate of $25.0 million in pre-specified milestone payments upon market approval of the products in the U.S., mainland China and Europe. The Company also agreed to pay CuRxgen mid-single digit royalties on net sales of products with respect to each technology. As of December 31, 2019, the Company has paid $1.5 million to CuRxgen and no milestones have been achieved. The Company has recognized research and development expense of approximately $0.3 million and $0.2 million in the years ended December 31, 2018 and 2019, respectively, related to this agreement.

License Agreements

TERN-101 License Agreement with Eli Lilly

On February 9, 2018, the Company entered a worldwide exclusive license agreement with Eli Lilly and Company (Lilly) (Lilly FXR 2018 License Agreement). Under the terms of the Lilly FXR 2018 License Agreement, Lilly granted the Company an exclusive, royalty-bearing license to make, have made, use, offer for sale, sell, import, and have imported, including all rights to develop, manufacture, and commercialize covered products in the field in the territory and a sublicensing right that allows the Company to grant sublicenses to affiliates and third parties to perform any portion of the development, manufacture, and commercialization of covered products. The Company is required to use commercially reasonable efforts to meet development event milestones, develop the covered product in the field in mainland China and commercialize the covered product in the field in mainland China.

The Company agreed to pay Lilly up to an aggregate of $6.0 million in pre-specified development milestones for the first covered product in mainland China, and up to an aggregate of $50.0 million in pre-specified development milestones for the first covered product in ex-mainland China. The Company also agreed to pay Lilly tiered royalties calculated on a calendar year basis, in the mid-single digits to low teens on net

sales ranging from the low hundreds of millions of dollars to the low billions of dollars. The Lilly FXR 2018 License Agreement expires upon expiry of the last remaining royalty obligation for a licensed product. No development milestones have been met as of the year ended December 31, 2019. The Company recorded research and development expense of approximately $0.5 million in the year ended December 31, 2019, related to this agreement. No research and development expense was recorded in the year ended December 31, 2018.

Lilly ASK1 License Agreement

On March 9, 2018, the Company entered into an exclusive license agreement with Lilly (Lilly ASK1 2018 License Agreement). Under the terms of the Lilly ASK1 2018 License Agreement, Lilly granted the Company an exclusive, royalty-bearing license to make, have made, use, offer for sale, sell, import, and have imported, including all rights to develop, manufacture, and commercialize covered products and a sublicensing right that allows the Company to grant sublicenses to affiliates and third parties to perform any portion of the development, manufacture, and commercialization of covered products. The Company will remain directly responsible for all amounts owed to Lilly, regardless of sublicenses. The Company is required to use commercially reasonable efforts to develop the covered products in the field in the major markets and commercialize the covered products in the field in the major markets.

The Company agreed to pay Lilly up to an aggregate of $55.0 million in pre-specified development milestones for the first covered product, and up to an aggregate of $22.5 million in pre-specified development milestones for the second indication of a covered product. The Company agreed to pay Lilly tiered royalties calculated on a calendar year basis, in the mid-single digits to mid-teens on net sales ranging from the high tens of millions of dollars to the low billions of dollars. The Company has the right to terminate the Lilly Ask1 2018 License Agreement in its entirety or on a covered product-by-covered product and country-by-country basis in its sole discretion by giving 180 days' advance written notice to Lilly. The Lilly Ask1 2018 License Agreement expires upon expiry of the last remaining royalty obligation for a licensed product. No development milestones have been met as of the year ended December 31, 2019. The Company has recognized research and development expense of approximately $1.8 million and $1.1 million in the years ended December 31, 2018 and December 31, 2019, respectively, related to this agreement.

TERN-201 License Agreement with Eli Lilly

On March 9, 2018, the Company entered into an exclusive license agreement with Lilly (Lilly VAP-1 2018 License Agreement). Under the terms of the Lilly VAP-1 2018 License Agreement, Lilly granted the Company an exclusive, royalty-bearing license to make, have made, use, offer for sale, sell, import, and have imported, including all rights to develop, manufacture, and commercialize covered products and a sublicensing right that allows the Company to grant sublicenses to affiliates and third parties to perform any portion of the development, manufacture, and commercialization of covered products. The Company will remain directly responsible for all amounts owed to Lilly, regardless of sublicenses. The Company is required to use commercially reasonable efforts to meet development events according to achievement due dates and commercialize the covered product in the field in the major markets.

The Company paid Lilly a non-refundable, non-creditable upfront payment of $4.0 million, which was recorded as research and development expense in the Company's statement of operations and comprehensive loss for the year ended December 31, 2018. In addition, pursuant to the terms of the Lilly VAP-1 2018 License Agreement, the Company agreed to pay Lilly up to an aggregate of $74.0 million in pre-specified development milestones for the first covered product, and up to an aggregate of $30.0 million in pre-specified development milestones for the second indication of a covered product. The Company must also pay Lilly tiered royalties

calculated on a calendar year basis, in the mid-single digits to mid-teens on net sales ranging from the high tens of millions of dollars to the low billions of dollars. The Lilly VAP-1 2018 License Agreement expires upon expiry of the last remaining royalty obligation for a licensed product. As of December 31, 2019, the Company has paid $4.0 million to Lilly. No development milestones have been met as of the year ended December 31, 2019. The Company has recognized research and development expense of approximately $1.7 million and $3.8 million in the years ended December 31, 2018 and December 31, 2019, respectively, related to this agreement.

Assignment Agreement

On June 24, 2019, the Company entered into an assignment agreement with Vintagence Biotechnology Ltd. (Vintagence) (Vintagence 2019 Assignment Agreement). Under the terms of the Vintagence 2019 Assignment Agreement, Vintagence assigned and agreed to assign to the Company any and all worldwide rights, title, and interest in and to the Vintagence technology and gave Terns a sublicensing right that allows the Company to grant sublicenses to any of its affiliates and/or to licensees or contractors to perform any portion of the development, manufacture, and/or commercialization of covered compounds or covered products. The Company will remain directly responsible for all amounts owed to Vintagence under this agreement, regardless of sublicenses. The Company is required to use commercially reasonable efforts to commercialize the covered product in the field in the major markets.

The Company paid Vintagence a non-refundable, non-creditable upfront payment of $0.7 million, which was recorded as research and development expense in the Company's statements of operations and comprehensive loss for the year ended December 31, 2019. In addition, pursuant to the terms of the Vintagence 2019 Assignment Agreement, the Company agreed to pay Vintagence up to CNY 205.0 million in development milestones for the first covered product. The term of the Vintagence 2019 Assignment Agreement will continue in effect on a country-by-country basis until all milestone payments are made. The Company has the right to terminate the agreement in its entirety or on a covered product-by-covered product and country-by-country basis, in its sole discretion by giving 60 days advance written notice to Vintagence. No development milestones have been met as of the year ended December 31, 2019. The Company has recognized research and development expense of approximately $0.9 million and $2.7 million in the years ended December 31, 2018 and December 31, 2019, respectively, related to this agreement.

Collaboration Agreement

On June 24, 2019, the Company entered into a collaboration agreement with Genfit SA (Genfit) (Genfit 2019 Collaboration Agreement). Under the Genfit 2019 Collaboration Agreement, Genfit agreed to grant the Company an exclusive license to develop, manufacture and commercialize any pharmaceutical product in any form suitable for oral administration to adults or children that contains elafibranor (drug product) in the Terns territory. Under the terms of the Genfit 2019 Collaboration Agreement, the Company paid Genfit a one-time, non-refundable, non-creditable financial milestone payment of $35.0 million, which was recorded as research and development expense in the Company's statement of operations and comprehensive loss for the year ended December 31, 2019. In addition, the Company agreed to pay to Genfit up to an aggregate of $18.0 million in pre-specified development milestones, and up to an aggregate of $175.0 million in pre-specified commercial milestones. The Company also agreed to pay Genfit non-creditable, non-refundable royalties in the mid-teens, calculated on a product-by-licensed product and region-by-region basis, of all net sales. As of December 31, 2019, the Company has paid $35.0 million to Genfit. The Company has recognized an immaterial amount of research and development expense in the years ended December 31, 2018 and December 31, 2019 related to this agreement. In May 2020, Genfit terminated its development program in NASH and, subsequently, the Company

terminated its plans for NASH development work in China pursuant to the Genfit 2019 Collaboration Agreement. As a result, the Company does not anticipate making any milestone payments under the Genfit 2019 Collaboration Agreement in the foreseeable future.

15. Subsequent Events

The Company has reviewed and evaluated subsequent events through November 10, 2020, the date that the financial statements were available to be issued.

2020 Convertible Promissory Notes

In May 2020, the Company issued convertible promissory notes (2020 Notes) in the aggregate amount of approximately $15.0 million. The 2020 Notes bear interest at a rate of 10.0% per annum, are unsecured, and are due and payable, including accrued interest, on May 31, 2021.

In the event of a qualified sale of equity securities resulting in gross proceeds to the Company of at least $22.5 million (excluding the principal amount and any interest accrued under the 2020 Notes), all principal and accrued and unpaid interest under the 2020 Notes would be automatically converted into shares issued in the next qualified equity financing in an amount equal to the outstanding principal and unpaid accrued interest divided by 90% of the price per share paid by investors in the next equity financing.

In the event of a non-qualified sale of equity securities resulting in gross proceeds to the Company of less than $22.5 million (excluding the principal amount and any interest accrued under the 2020 Notes), all principal and accrued and unpaid interest under the 2020 Notes can be electively, at the option of the holder, converted into shares issued in the non-qualified financing shares, in an amount equal to the outstanding principal and unpaid accrued interest divided by 90% of the price per share paid by investors in the applicable non-qualified financing.

In the event of a change of control, the holders of the 2020 Notes can elect, at their sole discretion, to convert the entire outstanding balance into a newly created series of preferred stock at a price equal to the outstanding principal and unpaid accrued interest divided by 120% of the Series B convertible preferred stock issue price. If the holders of the 2020 Notes do not elect to convert the 2020 Notes in the event of a change of control, the entire balance shall be immediately due and payable in full without notice or demand by the holders of the 2020 Notes, plus an additional amount equal to 50% of the outstanding principal of this note payable to the holders of the 2020 Notes together with the outstanding balance. The newly created series of preferred stock would vote together with, pari passu with, and have identical rights, privileges, preferences and restrictions as, the Company's Series B convertible preferred stock, other than with respect to: (i) the per share liquidation preference, the per share redemption price and the conversion price for purposes of price-based anti-dilution protection, which will equal 120% multiplied by the Series B convertible preferred stock issue price; and (ii) the basis for any dividend rights, which will be based on 120% multiplied by the Series B convertible preferred stock issue price, or (d) in the case of a conversion pursuant to the Series B convertible preferred stock agreement.

In the event no equity financing, non-qualifying equity financing, or change of control occurs prior to May 31, 2021, all principal and accrued interest shall be due and payable. If the Company fails to repay the outstanding balance in full to the holders of the 2020 Notes on May 31, 2021, the holders of the 2020 Notes shall be entitled to elect to convert the entire balance outstanding into conversion shares equal to the outstanding principal and unpaid interest divided by the Series B convertible preferred stock issue price. The 2020 Notes may not be prepaid, in whole or in part, without the prior written consent of the holders of the 2020 Notes.

Bridge Loan

In May 2020, the Company entered into a bridge loan with Terns China (Bridge Loan) for aggregate proceeds of $1.8 million, payable in renminbi (RMB) at an established USD/RMB exchange rate, based on an average of the previous five working days before May 8, 2020. The Bridge Loan bears interest at a rate of 10% per year, will begin to accrue on the date of drawdown, and will be computed based on the actual number of days elapsed based on a year of 365 days. The Bridge Loan holders will have the same conversion rights as the 2020 Notes holders.

Upon conversion, the holders of the Bridge Loan will be entitled to receive an option to subscribe the same class of conversion stock and certain equity interest in Terns China. The number of shares will be based on the same conversion price as defined in the 2020 Notes, based on the specific conversion arrangements as provided in the 2020 Notes. When holding the option, the investor will have the same stockholder's rights as if it directly held such conversion stock. In addition, the holders of the Bridge Loan also have the option to directly hold the conversion stock, in which case the Company shall, at the same time when the 2020 Notes are converted, directly issue to the investor the unpaid conversion stock, the amount of which is determined in the same manner as the 2020 Notes conversion scenarios. After the investor completes the relevant Overseas Direct Investment (ODI) approval procedures and after Terns China repays the balance in full, the investor shall use the repaid balance to pay to the Company the relevant subscription price for the conversion stock, and the Company shall mark the conversion stock as "fully paid."

Hansoh Option and License Agreement

On July 27, 2020, the Company entered into an exclusive option and license agreement with Hansoh (Shanghai) Healthtech Co., Ltd. (Hansoh Healthtech) and Jiangsu Hansoh Pharmaceutical Group Company Ltd. (Jiangsu Hansoh) (collectively, Hansoh) (Hansoh 2020 Option and License Agreement). Under the terms of the Hansoh 2020 Option and License Agreement, the Company granted Hansoh an exclusive, non-transferable, non-sublicensable, fully-paid, royalty-free license to conduct preliminary studies on the licensed compound with an option to exclusively license the same for development and commercialization of licensed products in all prophylactic, palliative, therapeutic and/or diagnostic uses in connection with all human diseases and disorders (including development and research activities on animal models thereof) in the field of oncology, including all types of cancers (Field) in mainland China, Taiwan, Hong Kong and Macau (collectively, the Territory). Upon Hansoh's exercising the option, the Company will grant to Hansoh and its affiliates, an irrevocable, royalty-bearing license, with the right to sublicense to exploit licensed compound and licensed products in the Field, defined as in the Territory.

Hansoh is required to pay the Company a refundable, non-creditable upfront payment of $1.0 million, provided that in the event Hansoh elects to not exercise the option, the Company shall refund the amount of the upfront payment within six months from the expiration or termination of the option period. If the Company does not pay the refund amount within six months, the refund amount will be regarded as a debt owed by the Company to Hansoh, secured against the number of common shares as is equal to the refund amount divided by the share price of such shares issued by the Company in the latest equity financing round before the refund amount is due. Interest on the refund amount is at a rate equal to 5% per annum over the then-current applicable federal rate, compounded annually and will continue to accrue until paid. Interest shall be computed on the basis of a year of 365 days for the actual number of days elapsed. The entire amount of accrued but unpaid interest and all outstanding principal shall be due and payable on or before the close of business on the fifth anniversary of the last day of the refund period.

In addition, pursuant to the Hansoh 2020 Option and License Agreement, Hansoh has agreed to pay the Company up to $67.0 million in pre-specified milestones. Hansoh must also pay the Company royalties in the mid-single digits based on net sales of all licensed products. The term of the Hansoh 2020 Option and License Agreement will continue until the end of the last-to-expire royalty term. No milestones have been received to date.

TERNS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Amounts in thousands, except share and per share data)

	December 31, 2019	September 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 12,327	$ 13,756
Marketable securities	5,600	—
Short-term investments	1,723	—
Prepaid expenses and other current assets	2,574	1,665
Total current assets	22,224	15,421
Property and equipment, net	961	1,234
Deferred financing costs	25	58
Other assets	694	700
Total assets	$ 23,904	$ 17,413
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 1,636	$ 461
Accrued expenses and other current liabilities	3,314	8,225
Loans payable	—	19,337
Total current liabilities	4,950	28,023
Non-current liabilities		
Deferred rent, net of current portion	285	262
Unrecognized tax benefit	345	354
Restricted shares repurchase liability	—	23
Total liabilities	5,580	28,662
Commitments and contingencies (Note 7)		
Noncontrolling interest	14,117	13,599
Convertible preferred stock, $.0001 par value; 76,409,088 shares authorized as of December 31, 2019 and September 30, 2020, respectively; 62,628,785 shares issued and outstanding as of December 31, 2019 and September 30, 2020, respectively; aggregate liquidation value of $95,371 as of December 31, 2019 and September 30, 2020, respectively	94,967	94,967
Stockholders' deficit:		
Common stock, $0.0001 par value, 100,000,000 shares authorized at December 31, 2019 and September 30, 2020, respectively; 3,022,498 and 4,328,276 shares issued and outstanding at December 31, 2019 and September 30, 2020, respectively	—	—
Additional paid-in capital	1,208	2,081
Accumulated other comprehensive (loss) income	(106)	90
Accumulated deficit	(91,862)	(121,986)
Total stockholders' deficit	(90,760)	(119,815)
Total liabilities, noncontrolling interest, convertible preferred stock and stockholders' deficit	$ 23,904	$ 17,413

See accompanying notes to the unaudited condensed consolidated financial statements.

TERNS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)

(Amounts in thousands, except share and per share data)

	Nine Months Ended September 30,	
	2019	2020
Operating expenses:		
Research and development	$ 53,978	$ 20,259
General and administrative	6,275	7,998
Total operating expenses	60,253	28,257
Loss from operations	(60,253)	(28,257)
Other income (expense):		
Interest income	1,097	53
Foreign exchange gain (loss)	346	(295)
Change in fair value of loans payable	—	(2,366)
Other income, net	15	325
Total other income (expense), net	1,458	(2,283)
Loss before benefit (provision) for income taxes	(58,795)	(30,540)
Benefit (provision) for income taxes	22	(102)
Net loss	(58,773)	(30,642)
Less: Net income (loss) attributable to noncontrolling interest	63	(518)
Net loss attributable to common stockholders	$ (58,836)	$ (30,124)
Other comprehensive (loss) income:		
Foreign exchange translation adjustment, net of tax	(491)	196
Comprehensive loss	(59,264)	(30,446)
Less: Comprehensive loss attributable to noncontrolling interest	(8)	(490)
Comprehensive loss attributable to common stockholders	$ (59,256)	$ (29,956)
Net loss per share attributable to common stockholders, basic and diluted	$ (24.40)	$ (7.96)
Weighted average common stock outstanding, basic and diluted	2,411,750	3,786,526

See accompanying notes to the unaudited condensed consolidated financial statements.

TERNS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF NONCONTROLLING INTEREST, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(Unaudited)

(Amounts in thousands, except share data)

	Non-Controlling Interest	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Deficit
		Shares	Amount	Shares	Amount	Shares	Amount				
Balances at December 31, 2018	$ 14,325	29,250,000	$21,938	33,378,785	$73,029	1,466,666	$ —	$ 455	$ 59	$ (23,251)	$ (22,737)
Exercise of stock options	—	—	—	—	—	139,166	—	26	—	—	26
Vesting of restricted stock	—	—	—	—	—	1,416,666	—	59	—	—	59
Stock-based compensation expense	—	—	—	—	—	—	—	523	—	—	523
Unrealized loss on foreign currency translation	—	—	—	—	—	—	—	—	(491)	—	(491)
Net loss	63	—	—	—	—	—	—	—	—	(58,836)	(58,836)
Balances at September 30, 2019	$ 14,388	29,250,000	$21,938	33,378,785	$73,029	3,022,498	$ —	$ 1,063	$ (432)	$ (82,087)	$ (81,456)
Balances at December 31, 2019	$ 14,117	29,250,000	$21,938	33,378,785	$73,029	3,022,498	$ —	$ 1,208	$ (106)	$ (91,862)	$ (90,760)
Exercise of stock options	—	—	—	—	—	139,111	—	32	—	—	32
Vesting of restricted stock	—	—	—	—	—	1,166,667	—	23	—	—	23
Stock-based compensation expense	—	—	—	—	—	—	—	905	—	—	905
Capital discount on issuance of loans payable	—	—	—	—	—	—	—	(87)	—	—	(87)
Unrealized loss on foreign currency translation	—	—	—	—	—	—	—	—	196	—	196
Net loss	(518)	—	—	—	—	—	—	—	—	(30,124)	(30,124)
Balances at September 30, 2020	$ 13,599	29,250,000	$21,938	33,378,785	$73,029	4,328,276	$ —	$ 2,081	$ 90	$ (121,986)	$ (119,815)

See accompanying notes to the unaudited condensed consolidated financial statements.

TERNS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Amounts in thousands)

	Nine Months Ended September 30,	
	2019	2020
Cash flows from operating activities:		
Net loss	$(58,773)	$(30,642)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	523	905
Depreciation and amortization expense	122	288
Amortization and accretion on marketable securities	(98)	37
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,371)	966
Other assets	(10)	—
Accounts payable	480	(1,176)
Accrued expenses and other current liabilities	2,424	4,857
Change in fair value of loans payable	—	2,366
Deferred rent	9	(23)
Net cash used in operating activities	(56,694)	(22,422)
Cash flows from investing activities:		
Purchase of property and equipment	(620)	(537)
Purchase of short-term investments	(11,654)	(715)
Proceeds from sale and maturity of short-term investments	16,025	2,431
Proceeds from sale and maturity of marketable securities	33,397	5,561
Purchase of marketable securities	(45,071)	—
Net cash (used in) provided by investing activities	(7,923)	6,740
Cash flows from financing activities:		
Net proceeds from repayment of founders' loans	58	—
Payment of deferred financing costs	—	(33)
Proceeds from issuance of loans payable	—	16,876
Proceeds from equity activities	27	32
Net cash provided by financing activities	85	16,875
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(455)	236
Net (decrease) increase in cash, cash equivalents and restricted cash	(64,987)	1,429
Cash, cash equivalents and restricted cash at beginning of period	82,522	12,375
Cash, cash equivalents and restricted cash at end of period	$ 17,535	$ 13,804

See accompanying notes to the unaudited condensed consolidated financial statements.

TERNS PHARMACEUTICALS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business and Basis of Presentation

Terns Pharmaceuticals Inc. (Terns or Terns Cayman) is a clinical-stage biopharmaceutical company developing a portfolio of small-molecule single-agent and combination therapy candidates for the treatment of non-alcoholic steatohepatitis (NASH) and other chronic liver diseases. Terns was incorporated as an exempted company in the Cayman Islands with limited liability in December 2016. Terns owns all of the share capital of Terns Pharmaceutical HongKong Limited (organized in Hong Kong) (Terns Hong Kong) and Terns, Inc., a Delaware corporation (Terns U.S.). Terns Hong Kong holds the majority interest in Terns China Biotechnology Co., Ltd. (organized in Shanghai, People's Republic of China (PRC)) (Terns China) and its wholly owned subsidiary, Terns (Suzhou) Biotechnology Co., Ltd. (organized in Suzhou, PRC) (Terns Suzhou). Terns and its consolidated subsidiaries are hereinafter referred to as the "Company." The Company's principal office is in Foster City, California. Terns China and Terns Suzhou are collectively referred to as the "China Subsidiaries."

The Company is subject to risks and uncertainties common to early-stage companies in the biopharmaceutical industry, including, but not limited to, successful discovery and development of its drug candidates, the ability to secure additional capital to fund operations, regulatory approval of its drug candidates, development by competitors of new technological innovations, dependence on key personnel, the ability to attract and retain qualified employees, compliance with governmental regulations, the impact of the COVID-19 coronavirus and, ultimately, the commercial success of its drug candidates. Any drug candidates the Company may develop will require extensive nonclinical and clinical testing and regulatory approval prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel, and infrastructure and extensive compliance-reporting capabilities. Even if the Company's development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of Terns and its wholly owned subsidiaries Terns U.S. and Terns Hong Kong, its wholly owned subsidiary Terns Suzhou, and a variable interest entity (VIE) Terns China in which Terns has a majority interest and is the primary beneficiary. The noncontrolling interest attributable to the Company's VIE is presented as a separate component from stockholders' deficit in the unaudited condensed consolidated balance sheets, and a noncontrolling interest in the unaudited condensed consolidated statements of operations and comprehensive loss and unaudited condensed consolidated statements of noncontrolling interest, convertible preferred stock and stockholders' deficit. The Company's unaudited condensed consolidated financial statements have been prepared in conformity with U.S. GAAP. All intercompany balances and transactions have been eliminated in consolidation.

Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (ASC) and Accounting Standards Updates (ASUs) of the Financial Accounting Standards Board (FASB).

Variable Interest Entity

The Company consolidates a VIE where it has been determined that the Company is the primary beneficiary of the entity's operations. The Company has considered its relationships with a certain entity to determine whether the Company has a variable interest in that entity, and if so, whether the Company is the primary beneficiary of the relationship. U.S. GAAP requires VIEs to be consolidated if an entity's interest in the VIE is a controlling financial interest. Under the variable interest model, a controlling financial interest is determined based on which entity, if any, has (i) the power to direct the activities of the VIE that most significantly impacts

the VIE's economic performance and (ii) the obligations to absorb losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change. The consolidation status of a VIE may change as a result of such reassessments. Changes in consolidation status are applied prospectively in accordance with U.S. GAAP.

Going Concern

The Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company has not generated any revenue and does not expect to generate any revenue from the sale of products for the foreseeable future. The Company has incurred significant net losses and negative cash flows from operations. During the nine months ended September 30, 2019 and 2020, the Company incurred net losses of $58.8 million and $30.6 million on a consolidated basis, respectively, of which $0.5 million was attributable to the noncontrolling interest as of September 30, 2020 offset by net income of $0.1 million attributable to the noncontrolling interest as of September 30, 2019. As of September 30, 2020, the Company had an accumulated deficit of $122.0 million excluding $1.1 million of net losses that have been allocated to the noncontrolling interest. Including the losses allocated to the noncontrolling interest, the Company has incurred $123.1 million of losses to date on a consolidated basis. The Company expects to incur substantial operating losses and negative cash flows from operations for the foreseeable future. The Company had $13.8 million of cash and cash equivalents as of September 30, 2020.

Upon the completion of this offering, the Company expects to incur additional costs associated with operating as a public company. In the event the Company does not complete an initial public offering (IPO), the Company expects to seek additional funding through private equity financings, debt financings or other capital sources, including collaborations with other companies or other strategic transactions. The Company may not be able to obtain financing on acceptable terms, or at all. The terms of any financing may adversely affect the holdings or the rights of the Company's stockholders.

Based on the Company's planned operations, it does not expect its current cash, cash equivalents, marketable securities and short term investments to be sufficient to fund operations for at least 12 months after the date the unaudited condensed consolidated financial statements are issued without raising additional capital through an equity or debt financing, or potential additional collaboration proceeds. Therefore, management has determined that there is substantial doubt about the ability to continue as a going concern within one year after the date these unaudited condensed consolidated financial statements are issued.

The Company plans to take steps intended to enable the continued operation of the business which may include pursuing additional funding. The Company will be required to raise additional capital to further advance its research and development programs, operate its business and meet its obligations as they come due. The Company expects to finance its future operations through the sale of common stock, debt financings or strategic alliances with third parties. However, there is no guarantee that any of these strategic or financing opportunities will be executed or realized on favorable terms, if at all, and some could be dilutive to existing stockholders. The Company's ability to raise additional capital through either the issuance of equity or debt, is dependent on a number of factors including, but not limited to, the demand for the Company, which itself is subject to a number

of development and business risks and uncertainties, as well as the uncertainty that the Company would be able to raise such additional capital at a price or on terms that are favorable to the Company.

If the Company is unable to meet its working capital needs, the Company will be forced to delay, reduce or eliminate some or all of its development programs which could adversely affect its business prospects, or the Company may be unable to continue operations. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all.

The unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The unaudited condensed consolidated financial statements do not reflect any adjustments relating to the future effects of the recoverability and reclassification of assets and liabilities that may result from the outcome of uncertainty related to our ability to continue as a going concern.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic is rapidly evolving. The COVID-19 virus continues to impact countries worldwide, including the U.S. and China where the Company has business operations. The extent of the impact of the COVID-19 pandemic on business, operations and development timelines and plans remains uncertain, and will depend on certain developments, including the duration and spread of the outbreak and its impact on the Company's development activities, planned clinical trial enrollment, future trial sites, contract research organizations (CROs), third-party manufacturers and other third parties with whom the Company conducts business, as well as its impact on regulatory authorities and the Company's key scientific and management personnel. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. To the extent possible, the Company is conducting business as usual, with necessary or advisable modifications to employee travel and with employees working remotely. The Company will continue to actively monitor the rapidly evolving situation related to the COVID-19 pandemic and may take further actions that alter the Company's operations, including those that may be required by federal, state or local authorities in the U.S. and China, or that the Company determines are in the best interest of its employees and other third parties with whom the Company conducts business. At this point, the extent to which the COVID-19 pandemic may affect the Company's business, operations and development timelines and plans, including the resulting impact on expenditures and capital needs, remains uncertain.

2. Summary of Significant Accounting Policies

The Company's significant accounting policies are disclosed in the audited consolidated financial statements for the year ended December 31, 2019, included elsewhere in this prospectus. An update and supplement to these accounting policies follows. The Company did not adopt any new accounting pronouncements in the nine months ended September 30, 2020.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of standard checking accounts and money market funds. The Company considers all highly liquid investments with an original maturity of 90 days or less at the date of purchase to be cash equivalents. Restricted cash represents a security deposit related to a lease.

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The reconciliation of cash, cash equivalents and restricted cash reported within the applicable balance sheet line items that sum to the total of the same such amount shown in the unaudited condensed consolidated statements of cash flows is as follows (in thousands):

	September 30,	
	2019	2020
Cash and cash equivalents	$ 17,487	$ 13,756
Restricted cash, non-current	48	48
	$ 17,535	$ 13,804

Loans Payable

The Company has elected to record certain loans payable at fair value on the date of issuance, with gains and losses arising from changes in fair value recognized in the statements of operations at each period end while such loans payable are outstanding. Issuance costs are recognized in the statement of operations in the period in which they are incurred. The fair value of the loans payable was determined using a probability weighted expected return method (PWERM), a scenario-based valuation model in which discrete future outcome scenarios for the Company are projected and discounted to present value (see Note 5, Fair Value).

Revenue Recognition

On January 1, 2017, the Company early adopted Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606),* on a modified retrospective basis. Topic 606 establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The standard also provides guidance on the recognition of costs related to obtaining and fulfilling customer contracts. Additionally, the standard requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To determine revenue recognition for arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer. At contract inception, the Company assesses the goods or services promised within each contract that falls under the scope of Topic 606, determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The Company enters into corporate collaborations under which it may obtain upfront license fees, research and development funding, and development, regulatory and commercial milestone payments and royalty payments. The Company's performance obligations under these arrangements may include licenses of intellectual property, distribution rights, research and development services, delivery of manufactured product and/or participation on joint steering committees.

Licenses of intellectual property

If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenue from upfront license fees allocated to

the license when the license is transferred to the customer and the customer is able to use and benefit from the license. For licenses that are bundled with other promises, the Company utilizes judgement to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring proportional performance for purposes of recognizing revenue from non-refundable, upfront fees. The Company evaluates the measure of proportional performance each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone payments

At the inception of each arrangement that includes development, regulatory or commercial milestone payments, the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price. Topic 606 suggests two alternatives to use when estimating the amount of variable consideration: the expected value method and the most likely amount method. Under the expected value method, an entity considers the sum of probability-weighted amounts in a range of possible consideration amounts. Under the most likely amount method, an entity considers the single most likely amount in a range of possible consideration amounts. Whichever method is used, it should be consistently applied throughout the life of the contract; however, it is not necessary for the Company to use the same approach for all contracts. The Company expects to use the most likely amount method for development and regulatory milestone payments. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the Company's or the licensee's control, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis. The Company recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the Company re-evaluates the probability or achievement of each such milestone and any related constraint, and if necessary, adjusts its estimates of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Commercial milestones and royalties

For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and in which the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue when the related sales occur. To date, the Company has not recognized any royalty revenue resulting from its collaboration arrangements.

Upfront payments and fees are recorded as deferred revenue upon receipt or when due and may require deferral of revenue recognition to a future period until the Company performs its obligations under these arrangements. Amounts payable to the Company are recorded as accounts receivable when the Company's right to consideration is unconditional.

Deferred Offering Costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded as a reduction to the carrying value of stockholders' deficit as a reduction of additional paid-in capital or equity generated as a result of such offering. Should an in-process equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the consolidated statements of operations and comprehensive loss.

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Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated balance sheet as of September 30, 2020, the unaudited condensed consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2019 and 2020, the unaudited condensed consolidated statements of noncontrolling interest, convertible preferred stock and stockholders' deficit for the nine months ended September 30, 2019 and 2020, the unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2019 and 2020, and the related disclosures are unaudited. These unaudited condensed consolidated financial statements include all adjustments necessary, consisting of only normal recurring adjustments, to fairly state the financial position and the results of the Company's operations and cash flows for interim periods in accordance with U.S. GAAP. Interim period results are not necessarily indicative of results of operations or cash flows for a full year or any subsequent interim period. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included elsewhere in this prospectus.

3. Marketable Securities

Marketable securities consist of the following (in thousands):

	As of December 31, 2019:			
	Amortized cost/cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 3,498	$ 1	$ —	$ 3,499
Equity securities	2,100	1	—	2,101
	$ 5,598	$ 2	$ —	$ 5,600

The Company did not have any marketable securities for the nine months ended September 30, 2020.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	December 31, 2019	September 30, 2020
Prepaid research and development costs	$ 2,113	$ 1,033
Other current assets	461	632
	$ 2,574	$ 1,665

5. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of inputs that may be used to measure fair value are defined below:

- Level 1—Quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2—Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3—Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The carrying values of the Company's other assets, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term nature of these assets and liabilities.

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	As of December 31, 2019:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$12,327	$ —	$ —	$12,327
Marketable securities	5,600	—	—	5,600
Short-term investments—structured deposits	—	1,723	—	1,723
	$17,927	$1,723	$ —	$19,650

	As of September 30, 2020:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$13,756	$ —	$ —	$13,756
	$13,756	$ —	$ —	$13,756
Liabilities:				
Loans payable	$ —	$ —	$19,337	$19,337
	$ —	$ —	$19,337	$19,337

During the year ended December 31, 2019 and the nine months ended September 30, 2020, there were no transfers between Level 1, Level 2 and Level 3.

Valuation of Loans Payable

The loans payable liability in the table above relates to certain notes payable and bridge loan transactions (see Note 7, Loans Payable). The fair value of the loans payable liability was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The fair value of the loans payable liability is remeasured at each reporting period, with changes in fair value recognized in the condensed consolidated statements of operations.

The Company used the PWERM method to value the loans payable. This approach involved the estimation of future potential outcomes for the Company, as well as values and probabilities associated with each respective potential outcome. The Company considered two scenarios (i) a 60% probability of an IPO in the near-term and (ii) a 40% probability of the Company remaining private for approximately 1.75 years following the date of the valuation. The Company considered these two scenarios to calculate the (i) future value of the loans payable under each scenario and (ii) the present value of the loans payable under each scenario. The value of the Company's equity used to determine the appropriate allocation of value to the stockholders was calculated using different methodologies for each scenario. For the first scenario, the value of the Company's equity was estimated based on the Company's estimates, as well as recent IPO indications of comparable companies. For the

second scenario, the value of the Company's equity was estimated using the income approach, which focuses on the income-producing capability of a business and estimates value based on the expectation of future cash flows, which are then discounted to the present using a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. Under each scenario, the rights and preferences of each share class were considered in order to determine the appropriate allocation of value to the common and preferred stockholders, as well as the loans payable. The value per common and preferred share, as well as the loans payable, under each scenario was multiplied by a present value factor, calculated based on the Company's cost of equity and the expected timing of each scenario. After taking into consideration the PWERM of each scenario, the Company arrived at the fair value of the loans payable.

The fair value of the loans payable was determined to be $19.3 million as of September 30, 2020, using a discount rate of 18.0% estimated using the weighted average cost of capital for the Company, and was recorded in its condensed consolidated balance sheet at September 30, 2020. The Company recorded other expense of $2.4 million related to the change in the fair value of loans payable for the year ended September 30, 2020. Loans payable are re-measured at each reporting period using the PWERM.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities included the following (in thousands):

	December 31, 2019	September 30, 2020
Research and development costs	$ 1,852	$ 6,549
Compensation and benefit costs	1,216	1,121
Other	246	555
	$ 3,314	$ 8,225

7. Loans Payable

2020 Convertible Promissory Notes

In May 2020, the Company issued convertible promissory notes (2020 Notes) in the aggregate amount of approximately $15.0 million. The 2020 Notes bear interest at a rate of 10.0% per annum, are unsecured, and are due and payable, including accrued interest, on May 31, 2021.

In the event of a qualified sale of equity securities resulting in gross proceeds to the Company of at least $22.5 million (excluding the principal amount and any interest accrued under the 2020 Notes), all principal and accrued and unpaid interest under the 2020 Notes would be automatically converted into shares issued in the next qualified equity financing in an amount equal to the outstanding principal and unpaid accrued interest divided by 90% of the price per share paid by investors in the next equity financing.

In the event of a non-qualified sale of equity securities resulting in gross proceeds to the Company of less than $22.5 million (excluding the principal amount and any interest accrued under the 2020 Notes), all principal and accrued and unpaid interest under the 2020 Notes can be electively, at the option of the holder, converted into shares issued in the non-qualified financing, in an amount equal to the outstanding principal and unpaid accrued interest divided by 90% of the price per share paid by investors in the applicable non-qualified financing.

In the event of a change of control, the holders of the 2020 Notes can elect, at their sole discretion, to convert the entire outstanding balance into a newly created series of preferred stock at a price equal to the

outstanding principal and unpaid accrued interest divided by 120% of the Series B convertible preferred stock issue price. If the holders of the 2020 Notes do not elect to convert the 2020 Notes in the event of a change of control, the entire balance shall be immediately due and payable in full without notice or demand by the holders of the 2020 Notes, plus an additional amount equal to 50% of the outstanding principal of this note payable to the holders of the 2020 Notes together with the outstanding balance. The newly created series of preferred stock would vote together with, pari passu with, and have identical rights, privileges, preferences and restrictions as, the Company's Series B convertible preferred stock, other than with respect to: (i) the per share liquidation preference, the per share redemption price and the conversion price for purposes of price-based anti-dilution protection, which will equal 120% multiplied by the Series B convertible preferred stock issue price; and (ii) the basis for any dividend rights, which will be based on 120% multiplied by the Series B convertible preferred stock issue price, or (iii) in the case of a conversion pursuant to the Series B convertible preferred stock agreement.

In the event no equity financing, non-qualifying equity financing or change of control occurs prior to May 31, 2021, all principal and accrued interest shall be due and payable. If the Company fails to repay the outstanding balance in full to the holders of the 2020 Notes on May 31, 2021, the holders of the 2020 Notes shall be entitled to elect to convert the entire balance outstanding into conversion shares equal to the outstanding principal and unpaid interest divided by the Series B convertible preferred stock issue price. The 2020 Notes may not be prepaid, in whole or in part, without the prior written consent of the holders of the 2020 Notes.

The Company elected to measure the 2020 Notes at fair value (see Note 5, Fair Value). No components of the loans were required to be recorded in equity. The Company paid an immaterial amount of legal costs in connection with the 2020 Notes, which were expensed. There were no principal payments due or paid under the 2020 Notes during the nine months ended September 30, 2020.

Bridge Loan

In May 2020, the Company entered into a bridge loan with Terns China (Bridge Loan) for aggregate proceeds of $1.8 million, payable in renminbi (RMB) at an established USD/RMB exchange rate, based on an average of the previous five working days before May 8, 2020. The Bridge Loan bears interest at a rate of 10% per year, will begin to accrue on the date of drawdown, and will be computed based on the actual number of days elapsed based on a year of 365 days. The Bridge Loan holders will have the same conversion rights as the 2020 Notes holders.

Upon conversion, the holders of the Bridge Loan will be entitled to receive an option to subscribe the same class of conversion stock and certain equity interest in Terns China. The number of shares will be based on the same conversion price as defined in the 2020 Notes, based on the specific conversion arrangements as provided in the 2020 Notes. When holding the option, the investor will have the same stockholder's rights as if they directly held such conversion stock. In addition, the holders of the Bridge Loan also have the option to directly hold the conversion stock, in which case the Company shall, at the same time when the 2020 Notes are converted, directly issue to the investor the unpaid conversion stock, the amount of which is determined in the same manner as the 2020 Notes conversion scenarios. After the investor completes the relevant overseas direct investment (ODI) approval procedures and after Terns China repays the balance in full, the investor shall use the repaid balance to pay to the Company the relevant subscription price for the conversion stock, and the Company shall mark the conversion stock as "fully paid."

The Company elected to measure the Bridge Loan at fair value (see Note 5, Fair Value). No components of the loans were required to be recorded in equity. The Company paid an immaterial amount of legal costs in connection with the Bridge Loan, which were expensed. There were no principal payments due or paid under the Bridge Loan during the nine months ended September 30, 2020.

As of the period presented, the determined fair value of loans payable consisted of the following (in thousands):

	September 30, 2020
2020 Notes	$ 17,164
Bridge Loan	2,173
	$ 19,337

8. Convertible Preferred Stock

As of September 30, 2019 and 2020, the Company's certificate of incorporation as amended and restated, authorized the Company to issue 40,000,000 shares of Series A convertible preferred stock at par value of $0.0001 and 36,409,088 shares of Series B convertible preferred stock at par value of $0.0001.

On April 7, 2017, the Company entered into a Series A convertible preferred stock purchase agreement (Series A Agreement) whereby the Company issued 29,250,000 shares of Series A convertible preferred stock at $0.75 per share for an aggregate purchase price of $21.9 million.

The cash proceeds associated with the sale of the Series A convertible preferred stock were to be received by the Company over three tranches of payments. The first tranche was due and payable within 20 business days of the closing of the Series A financing while the second and third tranches were due and payable upon the Company's completion of certain milestones. The Company determined that the second tranche payment and third tranche payment each did not meet the definition of a freestanding financial instrument because the obligation on the applicable stockholder was not legally detachable or separately exercisable from the host share.

The Company received $7.3 million for tranche 1 on April 12, 2017, $7.3 million for tranche 2 on February 27, 2018 and $7.3 million for tranche 3 on July 3, 2018.

Terns China received an aggregate $8.0 million from the LAV PRC Entities in three tranches over the same period, which is presented as a noncontrolling interest (see Note 2, Summary of Significant Accounting Policies). In connection with the Series A Agreement and this Terns China investment, the Company also issued an option to the LAV PRC Entities to convert their interest in the China Subsidiaries into an interest in Terns Cayman (the LAV Option).

On October 19, 2018, the Company entered into a Series B convertible preferred share purchase agreement (Series B Agreement), whereby the Company issued 33,378,785 shares of Series B convertible preferred stock at $2.20 per share for an aggregate purchase price of $73.4 million.

Terns China received $6.7 million from the LAV PRC Entities in connection with the Series B financing, which is presented as a noncontrolling interest. In connection with the Series B Agreement and this Terns China investment, the LAV Option was to allow the LAV PRC Entities to convert this interest in the China Subsidiaries into an interest in Terns Cayman.

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Series A convertible preferred stock and Series B convertible preferred stock are collectively referred to as "convertible preferred stock." As of each balance sheet date, convertible preferred stock consisted of the following (in thousands, except share amounts):

	As of December 31, 2019 and September 30, 2020				
	Convertible Preferred Stock Authorized	Convertible Preferred Stock Issued and Outstanding	Carrying Value	Liquidation Preference	Common Stock Issuable Upon Conversion
Series A convertible preferred stock	40,000,000	29,250,000	$ 21,938	$ 21,938	29,250,000
Series B convertible preferred stock	36,409,088	33,378,785	73,029	73,433	33,378,785
	76,409,088	62,628,785	$ 94,967	$ 95,371	62,628,785

As of September 30, 2020, the rights and privileges of the holders of the convertible preferred stock were as follows:

Conversion

Shares of preferred stock are convertible, at the option of the holder, at any time, into shares of common stock. The number of shares is determined by dividing the original issuance price by the conversion price, which is also equal to the original issuance price. The conversion price of the preferred stock is subject to adjustment to prevent dilution in the event that the Company issues additional shares of common stock at a price per share less than the Series A convertible preferred stock or Series B convertible preferred stock conversion price. These rights terminate in the event of a liquidation or winding up of the Company. No fractional shares will be issued.

Liquidation Preference

In the event of any liquidation, dissolution, winding up of the Company or deemed liquidation event, either voluntarily or involuntarily, all assets and funds of the Company legally available for distribution will be distributed to the members of the Company at an amount equal to the respective Series A convertible preferred stock issuance price of $0.75 per share and Series B convertible preferred stock issuance price of $2.20 per share, plus any declared but unpaid dividends, first to the Series B convertible preferred stockholders, then the Series A convertible preferred stockholders.

If there are any assets or funds remaining after the distribution to the convertible preferred stockholders, the remaining assets and funds of the Company will be distributed ratably among all members according to the number of shares of common stock held by each member, treating all shares of convertible preferred stock as if they had been converted to common stock immediately prior to the liquidation, dissolution or winding up of the Company.

Dividends

As of September 30, 2020, the holders of the convertible preferred stock are entitled to be paid non-cumulative dividends if and when declared by the Company's board of directors. The Company may not pay any dividends on shares of common stock of the Company unless the holders of the convertible preferred stock then outstanding simultaneously receive dividends at the same rate and same time as dividends paid with respect to common stock. The holders of Series B convertible preferred stock are entitled to receive dividends prior and

in preference to any payments to the holders of Series A convertible preferred stock and common stock. After payment of dividends to the holders of Series B convertible preferred stock, the holders of Series A convertible preferred stock are entitled to receive dividends prior and in preference to any payment to the holders of common stock. Any additional dividends paid in any fiscal year will be paid among the holders of preferred stock and common stock then outstanding on an as-converted basis. Upon issuance of the Series B convertible preferred stock in October 2018, the dividends became non-cumulative. Dividends shall be 8.0% of the price per share per annum, payable only when and if declared by the Company's board of directors. Through September 30, 2020, no cash dividends have been declared or paid by the Company.

Voting Rights

Each holder of outstanding convertible preferred stock is entitled to cast the number of votes equal to the whole number of shares of common stock into which the shares of convertible preferred stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Fractional votes are not permitted, and any fractional voting rights available on an as-converted basis will be rounded to the nearest whole number. To the extent that convertible preferred stockholders are allowed to vote separately, that series of the convertible preferred stock will have the right to vote separately as a class or series.

Redemption

The Series B convertible preferred stock is redeemable by the Company at any time after the fourth anniversary of the Series B convertible preferred stock issue date provided that (a) Terns, the China Subsidiaries and LAV (Group Companies) taken as a whole have not filed at least two INDs with the U.S. Food and Drug Administration, the China Food and Drug Administration, or both with respect to the Group Companies' self-developed drug programs (including at least one NASH program), (b) if the Series A preferred stockholders become entitled to redemption resulting from breach of the Series A convertible preferred stock transaction documents by the Group Company or Company founders, or (c) if any of the Group Company or the Company founders materially breaches any provisions of the Series B convertible preferred stock transaction documents.

Provided that the Company has fully paid the Series B convertible preferred stock redemption price on all Series B convertible preferred stock redeeming preferred shares, pursuant to (a) and (b) above, any Series A holder may request redemption with the consent of a majority of the outstanding Series A convertible preferred stockholders.

The holders of Series A and Series B convertible preferred stock have certain liquidation rights in the event of a deemed liquidation that, in certain situations, are not solely within the control of the Company and would call for the redemption of the then outstanding Series A and Series B convertible preferred stock. Therefore, the Series A and Series B convertible preferred stock are classified outside of stockholders' deficit on the unaudited condensed consolidated balance sheets. The carrying value of the convertible preferred stock is not subsequently remeasured to the redemption value until the contingent redemption events are considered to be probable of occurring.

9. Common Stock

As of September 30, 2019 and 2020, the Company's certificate of incorporation as amended and restated authorized the Company to issue 100,000,000 shares of common stock with a par value of $0.0001 per share. The voting, dividend and liquidation rights of the holders of the Company's common stock are subject to and qualified by the rights, powers and preferences of the holders of the convertible preferred stock set forth above.

TERNS PHARMACEUTICALS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of each balance sheet date, the Company had reserved shares of common stock for issuance in connection with the following:

Shares reserved:	December 31, 2019	September 30, 2020
Conversion of outstanding shares of convertible preferred stock	62,628,785	62,628,785
LAV Options issued and outstanding	13,780,303	13,780,303
Options outstanding under the 2017 stock plan	6,694,062	13,160,929
Shares available for future grant under the 2017 stock plan	7,052,377	956,034
	90,155,527	90,526,051

Each common share entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, if any, as may be declared by the Company's board of directors, subject to the preferential dividend rights of the convertible preferred stock. Through September 30, 2020, no cash dividends have been declared or paid by the Company.

10. Stock-Based Compensation

In 2017, the Company's board of directors and stockholders approved and adopted the Terns Inc. 2017 Equity Incentive Plan (Plan). The Plan permits the grant of options and restricted stock awards. Stock options granted to employees and nonemployees under the Plan generally vest over four years. Options granted under the Plan generally expire ten years after the date of grant. As of September 30, 2020, 936,764 shares were available for future grants of the Company's common stock.

The following table summarizes the Company's stock option activity under the Plan since December 31, 2019:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2019	6,694,062	$ 0.32	8.94	$ 2,277
Granted	7,823,197	$ 0.49		
Exercised	(139,111)	0.23		$ 201
Forfeited	(1,217,219)	0.18		
Outstanding as of September 30, 2020	13,160,929	$ 0.43	9.11	$ 16,262
Options exercisable as of September 30, 2020	3,400,480	$ 0.34	8.27	$ 4,511
Options unvested as of September 30, 2020	9,760,450	$ 0.47	9.40	$ 11,751

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had exercise prices lower than the fair value of the Company's common stock.

The weighted-average grant date fair value of options granted for the year ended December 31, 2019 and during the nine months ended September 30, 2020 was $0.32 per share and $0.47 per share, respectively. As of

December 31, 2019 and September 30, 2020, respectively, there was $1.7 million and $10.1 million of unrecognized stock-based compensation expense related to unvested stock options. The unrecognized stock-based compensation expense is estimated to be recognized over a period of 3.57 years as of September 30, 2020.

The total fair value of options vested during the year ended December 31, 2019 and the nine months ended September 30, 2020, was $0.3 million and $0.9 million, respectively.

Stock-Based Compensation Expense

The Company estimated the fair value of options granted using a Black-Scholes option pricing model with the following assumptions presented on a weighted average basis:

	Nine Months Ended September 30,	
	2019	2020
Expected option life	5.98 Years	6.02 Years
Expected volatility	63.84%	61.96%
Risk-free interest rate	2.38%	0.43%
Expected dividend yield	0%	0%
Fair value of underlying common stock	$ 0.47	$ 1.48
Fair value of option	$ 0.32	$ 1.15

Expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

The activity for restricted stock since December 31, 2019 is summarized as follows:

	Number of Shares	Grant-Date Fair Value
Unvested restricted common stock as of December 31, 2019	2,333,334	$ 0.14
Granted	—	—
Vested	(1,166,667)	0.14
Forfeited	—	—
Unvested restricted common stock as of September 30, 2020	1,166,667	$ 0.14

As of December 31, 2019 and September 30, 2020, there was $0.2 million and less than $0.1 million of unrecognized stock-based compensation expense related to restricted stock granted by the Company, respectively. The unrecognized stock-based compensation expense is estimated to be recognized over a period of 0.52 years as of September 30, 2020. The total fair value of the restricted stock vested during the years ended December 31, 2019 and nine months ended September 30, 2020 was $0.2 million.

Stock-based compensation expense was classified in the unaudited condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Nine Months Ended September 30,	
	2019	2020
Research and development expense	$ 203	$ 228
General and administrative expense	320	677
Total stock-based compensation expense	$ 523	$ 905

TERNS PHARMACEUTICALS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Income Tax

The provision for income taxes primarily relates to projected federal, state, and foreign income taxes. To determine the quarterly provision for income taxes, the Company uses an estimated annual effective tax rate, which is generally based on expected annual income and statutory tax rates in the various jurisdictions in which the Company operates. In addition, the tax effects of certain significant or unusual items are recognized discretely in the quarter during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

The Company utilizes the asset and liability method of accounting for income taxes, under which deferred taxes are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the temporary differences reverse. The Company records a valuation allowance to reduce its deferred taxes to the amount it believes is more likely than not to be realized. In making such determination, the Company considers all available positive and negative evidence quarterly, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. Based upon the Company's review of all positive and negative evidence, the Company continues to have a valuation allowance on its state research and development deferred tax assets.

The Company recorded an income tax benefit of $22,000 in the nine months ended September 30, 2019 and an income tax provision of $0.1 million in the nine months ended September 30, 2020 primarily related to federal research and development credits, and foreign tax loss benefits, partially offset by foreign uncertain tax positions.

Income tax positions must meet a more-likely-than-not threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first financial reporting period in which that threshold is no longer met. The Company records potential penalties and interest accrued related to unrecognized tax benefits within the consolidated statements of operations as income tax expense.

During the nine months ended September 30, 2020, the Company's unrecognized tax benefits increased by $2.0 million related to the federal and state research and development tax credits and transfer pricing tax position in Terns China. Accrued interest and penalties associated with uncertain tax positions as of September 30, 2020 were approximately $28,591.

12. Net Loss Per Common Share

Basic and diluted net loss per common share were calculated as follows (in thousands, except share and per share amounts):

	Nine Months Ended September 30,	
	2019	2020
Numerator:		
Net loss	$ (58,773)	$ (30,642)
Less: Net loss attributable to noncontrolling interest	63	(518)
Net loss attributable to common stockholders	$ (58,836)	$ (30,124)
Denominator:		
Weighted average common stock outstanding, basic and diluted	2,411,750	3,786,526
Net loss per share attributable to common stockholders, basic and diluted	$ (24.40)	$ (7.96)

The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss attributable to common stockholders per common share for the periods indicated because including them would have had an anti-dilutive effect:

	Nine Months Ended September 30,	
	2019	2020
Options to purchase common stock	7,414,466	13,160,929
Restricted common stock	2,833,334	1,166,667
Convertible preferred stock (as converted to common shares)	62,628,785	62,628,785
Options to purchase convertible preferred stock (as converted to common shares)	13,780,303	13,780,303
	86,656,888	90,736,684

13. Assignment, License and Collaboration Agreements

Technology Assignment Agreement

On April 7, 2017, the Company entered into an assignment agreement with CuRxgen Therapeutics, Inc. (CuRxgen) (CuRxgen 2017 Assignment Agreement). Under the terms of the CuRxgen 2017 Assignment Agreement, CuRxgen agreed to sell, assign, transfer, absolutely and irrevocably the assignment of all its right, title and interest in and to the technologies (including the deliverables and all intellectual property rights), free from all other rights, charges and encumbrances (whether monetary or not) and gave the Company a third party assignment right that allows the Company to further sell either technology, including its further development, production and commercialization rights and results and the products (if any), taken as a whole. The Company is required to use commercially reasonable efforts to meet development event milestones.

The Company paid CuRxgen a non-refundable, non-creditable upfront payment of $1.5 million. The Company agreed to pay CuRxgen $1.5 million upon the completion of the first human dose in the first phase 1 study of each technology ($3.0 million collectively upon completion of the first human dose in the first phase 1 study of both technologies). In addition, the Company agreed to pay up to an aggregate of $25.0 million in pre-specified milestone payments upon market approval of the products in the U.S., mainland China and Europe.

The Company also agreed to pay CuRxgen mid-single digit royalties on net sales of products with respect to each technology. As of September 30, 2020, the Company has paid $2.2 million to CuRxgen and no milestones have been achieved. The Company has recognized research and development expense of approximately $0.2 million and $0.7 million in the nine months ended September 30, 2019 and 2020, respectively, related to this agreement.

License Agreements

TERN-101 License Agreement with Eli Lilly

On February 9, 2018, the Company entered a worldwide exclusive license agreement with Eli Lilly and Company (Lilly) (Lilly FXR 2018 License Agreement). Under the terms of the Lilly FXR 2018 License Agreement, Lilly granted the Company an exclusive, royalty-bearing license to make, have made, use, offer for sale, sell, import, and have imported, including all rights to develop, manufacture, and commercialize covered products in the field in the territory and a sublicensing right that allows the Company to grant sublicenses to affiliates and third parties to perform any portion of the development, manufacture, and commercialization of covered products. The Company is required to use commercially reasonable efforts to meet development event milestones, develop the covered product in the field in mainland China and commercialize the covered product in the field in mainland China.

The Company agreed to pay Lilly up to an aggregate of $6.0 million in pre-specified development milestones for the first covered product in mainland China, and up to an aggregate of $50.0 million in pre-specified development milestones for the first covered product in ex-mainland China. The Company also agreed to pay Lilly tiered royalties calculated on a calendar year basis, in the mid-single digits to low teens on net sales ranging from the low hundreds of millions of dollars to the low billions of dollars. The Lilly FXR 2018 License Agreement expires upon expiry of the last remaining royalty obligation for a licensed product. As of September 30, 2020, the Company has paid $0.6 million to Lilly and no milestones have been achieved. The Company recorded research and development expense of approximately $0.3 million and $0.1 million in the nine months ended September 30, 2019 and 2020, respectively, related to this agreement.

Lilly ASK1 License Agreement

On March 9, 2018, the Company entered into an exclusive license agreement with Lilly (Lilly ASK1 2018 License Agreement). Under the terms of the Lilly ASK1 2018 License Agreement, Lilly granted the Company an exclusive, royalty-bearing license to make, have made, use, offer for sale, sell, import, and have imported, including all rights to develop, manufacture, and commercialize covered products and a sublicensing right that allows the Company to grant sublicenses to affiliates and third parties to perform any portion of the development, manufacture, and commercialization of covered products. The Company will remain directly responsible for all amounts owed to Lilly, regardless of sublicenses. The Company is required to use commercially reasonable efforts to develop the covered products in the field in the major markets and commercialize the covered products in the field in the major markets.

The Company agreed to pay Lilly up to an aggregate of $55.0 million in pre-specified development milestones for the first covered product, and up to an aggregate of $22.5 million in pre-specified development milestones for the second indication of a covered product. The Company agreed to pay Lilly tiered royalties calculated on a calendar year basis, in the mid-single digits to mid-teens on net sales ranging from the high tens of millions of dollars to the low billions of dollars. The Company has the right to terminate the Lilly Ask1 2018 License Agreement in its entirety or on a covered product-by-covered product and country-by-country basis in its sole discretion by giving 180 days' advance written notice to Lilly. The Lilly Ask1 2018 License Agreement

expires upon expiry of the last remaining royalty obligation for a licensed product. No development milestones have been met as of the nine months ended September 30, 2020. As of September 30, 2020, the Company has paid $3.0 million to Lilly and no milestones have been achieved. The Company has recognized research and development expense of approximately $1.6 million and less than $0.1 million in the nine months ended September 30, 2019 and September 30, 2020, respectively, related to this agreement.

TERN-201 License Agreement with Eli Lilly

On March 9, 2018, the Company entered into an exclusive license agreement with Lilly (Lilly VAP-1 2018 License Agreement). Under the terms of the Lilly VAP-1 2018 License Agreement, Lilly granted the Company an exclusive, royalty-bearing license to make, have made, use, offer for sale, sell, import, and have imported, including all rights to develop, manufacture, and commercialize covered products and a sublicensing right that allows the Company to grant sublicenses to affiliates and third parties to perform any portion of the development, manufacture, and commercialization of covered products. The Company will remain directly responsible for all amounts owed to Lilly, regardless of sublicenses. The Company is required to use commercially reasonable efforts to meet development events according to achievement due dates and commercialize the covered product in the field in the major markets.

The Company paid Lilly a non-refundable, non-creditable upfront payment of $4.0 million, which was recorded as research and development expense in the Company's statement of operations and comprehensive loss for the year ended December 31, 2018. In addition, pursuant to the terms of the Lilly VAP-1 2018 License Agreement, the Company agreed to pay Lilly up to an aggregate of $74.0 million in pre-specified development milestones for the first covered product, and up to an aggregate of $30.0 million in pre-specified development milestones for the second indication of a covered product. The Company must also pay Lilly tiered royalties calculated on a calendar year basis, in the mid-single digits to mid-teens on net sales ranging from the high tens of millions of dollars to the low billions of dollars. The Lilly VAP-1 2018 License Agreement expires upon expiry of the last remaining royalty obligation for a licensed product. As of September 30, 2020, the Company has paid $6.6 million to Lilly. No development milestones have been met as of the nine months ended September 30, 2020. The Company has recognized research and development expense of approximately $4.3 million and $2.6 million in the nine months ended September 30, 2019 and September 30, 2020, respectively, related to this agreement.

Assignment Agreement

On June 24, 2019, the Company entered into an assignment agreement with Vintagence Biotechnology Ltd. (Vintagence) (Vintagence 2019 Assignment Agreement). Under the terms of the Vintagence 2019 Assignment Agreement, Vintagence assigned and agreed to assign to the Company any and all worldwide rights, title, and interest in and to the Vintagence technology and gave Terns a sublicensing right that allows the Company to grant sublicenses to any of its affiliates and/or to licensees or contractors to perform any portion of the development, manufacture, and/or commercialization of covered compounds or covered products. The Company will remain directly responsible for all amounts owed to Vintagence under this agreement, regardless of sublicenses. The Company is required to use commercially reasonable efforts to commercialize the covered product in the field in the major markets.

The Company paid Vintagence a non-refundable, non-creditable upfront payment of $0.7 million, which was recorded as research and development expense in the Company's statements of operations and comprehensive loss for the year ended December 31, 2019. In addition, pursuant to the terms of the Vintagence 2019 Assignment Agreement, the Company agreed to pay Vintagence up to CNY 205.0 million in development

milestones for the first covered product. The term of the Vintagence 2019 Assignment Agreement will continue in effect on a country-by-country basis until all milestone payments are made. The Company has the right to terminate the agreement in its entirety or on a covered product-by-covered product and country-by-country basis, in its sole discretion by giving 60 days advance written notice to Vintagence. As of September 30, 2020, the Company has paid $6.3 million to Vintagence and no development milestones have been met. The Company has recognized research and development expense of approximately $1.9 million and $2.7 million in the nine months ended September 30, 2019 and September 30, 2020, respectively, related to this agreement.

Hansoh Option and License Agreement

On July 27, 2020, the Company entered into an exclusive option and license agreement with Hansoh (Shanghai) Healthtech Co., Ltd. (Hansoh Healthtech) and Jiangsu Hansoh Pharmaceutical Group Company Ltd. (Jiangsu Hansoh) (collectively, Hansoh) (Hansoh 2020 Option and License Agreement). Under the terms of the Hansoh 2020 Option and License Agreement, the Company granted Hansoh an exclusive, non-transferable, non-sublicensable, fully-paid, royalty-free license to conduct preliminary studies on the licensed compound with an option to exclusively license the same for development and commercialization of licensed products in all prophylactic, palliative, therapeutic and/or diagnostic uses in connection with all human diseases and disorders (including development and research activities on animal models thereof) in the field of oncology, including all types of cancers (Field) in mainland China, Taiwan, Hong Kong and Macau (collectively, the Territory). Upon Hansoh's exercising the option, the Company will grant to Hansoh and its affiliates, an irrevocable, royalty-bearing license, with the right to sublicense to exploit licensed compound and licensed products in the Field, defined as in the Territory.

Hansoh is required to pay the Company a refundable, non-creditable upfront payment of $1.0 million, provided that in the event Hansoh elects to not exercise the option, the Company shall refund the amount of the upfront payment within six months from the expiration or termination of the option period. If the Company does not pay the refund amount within six months, the refund amount will be regarded as a debt owed by the Company to Hansoh, secured against the number of common shares as is equal to the refund amount divided by the share price of such shares issued by the Company in the latest equity financing round before the refund amount is due. Interest on the refund amount is at a rate equal to 5% per annum over the then-current applicable federal rate, compounded annually and will continue to accrue until paid. Interest shall be computed on the basis of a year of 365 days for the actual number of days elapsed. The entire amount of accrued but unpaid interest and all outstanding principal shall be due and payable on or before the close of business on the fifth anniversary of the last day of the refund period. The Company has not yet received the upfront payment. The upfront payment and future payments are all constrained as of September 30, 2020.

In addition, pursuant to the Hansoh 2020 Option and License Agreement, Hansoh has agreed to pay the Company up to $67.0 million in pre-specified clinical, regulatory and sales milestones. Hansoh must also pay the Company royalties in the mid-single digits based on net sales of all licensed products. The term of the Hansoh 2020 Option and License Agreement will continue until the end of the last-to-expire royalty term. No milestones have been received to date.

Collaboration Agreement

On June 24, 2019, the Company entered into a collaboration agreement with Genfit SA (Genfit) (Genfit 2019 Collaboration Agreement). Under the Genfit 2019 Collaboration Agreement, Genfit agreed to grant the Company an exclusive license to develop, manufacture and commercialize any pharmaceutical product in any form suitable for oral administration to adults or children that contains elafibranor (drug product) in the Terns

territory. Under the terms of the Genfit 2019 Collaboration Agreement, the Company paid Genfit a one-time, non-refundable, non-creditable financial milestone payment of $35.0 million, which was recorded as research and development expense in the Company's statement of operations and comprehensive loss for the year ended December 31, 2019. In addition, the Company agreed to pay to Genfit up to an aggregate of $18.0 million in pre-specified development milestones, and up to an aggregate of $175.0 million in pre-specified commercial milestones. The Company also agreed to pay Genfit non-creditable, non-refundable royalties in the mid-teens, calculated on a product-by-licensed product and region-by-region basis, of all net sales. As of September 30, 2020, the Company has paid $35.6 million to Genfit. The Company has recognized an immaterial amount of research and development expense in the nine months ended September 30, 2019 and September 30, 2020 related to this agreement. In May 2020, Genfit terminated its development program in NASH and, subsequently, the Company terminated its plans for NASH development work in China pursuant to the Genfit 2019 Collaboration Agreement. As a result, the Company does not anticipate making any milestone payments under the Genfit 2019 Collaboration Agreement in the foreseeable future.

14. Subsequent Events

The Company has reviewed and evaluated subsequent events through January 15, 2021.

Domestication

On December 29, 2020, the Company effected a de-registration of the Company in the Cayman Islands and a domestication in the State of Delaware (Domestication), pursuant to which it became a Delaware corporation and no longer subject to the laws of the Cayman Islands.

Certificate of Incorporation

In December 2020, in connection with the Domestication, the Company's Board of Directors and stockholders approved the certificate of incorporation in the State of Delaware. The total number of shares of all classes of stock which the Company is authorized to issue is (1) 299,700,000 shares of common stock, (ii) 40,000,000 shares of Series A convertible preferred stock, (iii) 36,409,088 shares of Series B convertible preferred stock, and (iii) 111,619,996 shares of Series C convertible preferred stock. All classes of stock are authorized at a par value of $0.0001.

LAV Series A and Series B Preferred Stock Options

On November 4, 2020, the Chinese government provided approval for entities affiliated with Lilly Asia Ventures (LAV) to exercise the LAV Option (see Note 8, Convertible Preferred Stock). Terns Hong Kong agreed to repurchase all equity interests held by the LAV PRC Entities with proceeds to be used by LAV to purchase shares of Series A Preferred Stock and Series B Preferred Stock of the Company (Repurchase).

On December 29, 2020, the Company issued 10,750,000 shares of Series A convertible preferred stock and 3,030,000 shares of Series B convertible preferred stock to an affiliate of LAV (LAV Affiliate) in exchange for a promissory note with a principal amount equal to the original investment by LAV in Terns China (LAV Series A and Series B Promissory Note). The LAV Series A and Series B Promissory Note was repaid through proceeds of the Repurchase which was completed on January 11, 2021.

Series C Preferred Stock

On December 29, 2020, the Company entered into a Series C preferred stock purchase agreement (Series C Convertible Preferred Stock Financing) whereby it issued 83,533,660 shares of Series C convertible preferred

stock at $0.8320 per share for gross proceeds of $87.4 million, which excludes shares issued upon conversion of the 2020 Notes.

In connection with the Series C Convertible Preferred Stock Financing, the 2020 Notes, totaling unpaid principal and accrued interest of $15.9 million, converted into 19,135,529 shares of Series C convertible preferred stock.

LAV Affiliate Promissory Note

The Series C Convertible Preferred Stock Financing constituted a qualified sale of equity securities under the Bridge Loan, which would have triggered an automatic conversion of the unpaid principal and accrued interest of $1.9 million into an option for LAV to receive shares of Series C convertible preferred stock (see Note 7, Loans Payable). For regulatory purposes in China, in lieu of the Bridge Loan converting into an option to acquire shares of Series C convertible preferred stock, the Company and Terns China entered into an agreement with LAV to (i) repay the Bridge Loan and (ii) issue shares of Series C convertible preferred stock at the initial closing to the LAV Affiliate, in exchange for a promissory note issued to the Company by the LAV Affiliate (LAV Affiliate Promissory Note).

On December 29, 2020, the Bridge Loan was amended to clarify that (i) interest will accrue up to and through December 29, 2020, with no additional interest accruing after December 29, 2020 and (ii) the Bridge Loan will be repaid in full by the Company following the requisite government approvals in China. Proceeds from the repayment of the Bridge Loan by Terns China will be used by LAV to repay the LAV Affiliate Promissory Note in full.

Shares

Common Stock

Preliminary Prospectus

J.P. Morgan **Goldman Sachs & Co. LLC** **Cowen**

Through and including , 2021 (the 25th day after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

, 2021

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses to be incurred in connection with the offering described in this Registration Statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimates except the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the exchange listing fee. All amounts are estimates except for the Securities and Exchange Commission, or SEC, registration fee, the FINRA filing fee and the Nasdaq Global Market listing fee.

ITEM	AMOUNT
SEC registration fee	$ 10,910
FINRA filing fee	15,500
Nasdaq listing fee	25,000
Printing expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers.

As permitted by Section 102 of the Delaware General Corporation Law, we have adopted provisions in our amended and restated certificate of incorporation and amended and restated bylaws that limit or eliminate the personal liability of our directors for a breach of their fiduciary duty of care as a director. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not affect the availability of equitable remedies such as injunctive relief or rescission. Our amended and restated certificate of incorporation also authorizes us to indemnify our officers, directors and other agents to the fullest extent permitted under Delaware law.

As permitted by Section 145 of the Delaware General Corporation Law, our amended and restated bylaws provide that:

- we may indemnify our directors, officers and employees to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions;

- we may advance expenses to our directors, officers and employees in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and
- the rights provided in our amended and restated bylaws are not exclusive.

Our amended and restated certificate of incorporation and our amended and restated bylaws provide for the indemnification provisions described above and elsewhere herein. We have entered or will enter into, and intend to continue to enter into, separate indemnification agreements with our directors and officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements generally require us, among other things, to indemnify our officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct. These indemnification agreements also generally require us to advance any expenses incurred by the directors or officers as a result of any proceeding against them as to which they could be indemnified. These indemnification provisions and the indemnification agreements may be sufficiently broad to permit indemnification of our officers and directors for liabilities, including reimbursement of expenses incurred, arising under the Securities Act of 1933, as amended, or the Securities Act.

We have purchased and currently intend to maintain insurance on behalf of each and every person who is or was a director or officer of the company against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

The form of underwriting agreement for this initial public offering provides for indemnification by the underwriters of us and our officers and directors who sign this registration statement for specified liabilities, including matters arising under the Securities Act.

Item 15. Recent Sales of Unregistered Securities.

Since January 1, 2017, we have made the following sales of unregistered securities:

Equity Plan-Related Issuances

1. We have granted to our directors, employees and consultants options to purchase 39,597,622 shares of our common stock with per share exercise prices ranging from $0.14 to $0.66 under our 2017 Equity Incentive Plan, as amended, or the 2017 Plan.
2. We have issued to certain of our directors, employees and consultants an aggregate of 2,391,996 shares of our common stock at per share purchase prices ranging from $0.14 to $0.66 pursuant to exercises of options under the 2017 Plan for an aggregate purchase price of $385,160.
3. We have granted to our directors, employees and consultants 5,166,667 shares of restricted common stock at a price per share of $0.0001 (including non-cash issuances as consideration for services) under the 2017 Plan for an aggregate purchase price $163,733.

Sale of Preferred Stock & Convertible Promissory Notes

4. In April 2017, we issued and sold an aggregate of 40,000,000 Series A convertible preferred shares (including securities convertible into Series A convertible preferred shares) to two accredited investors at $0.75 per share for gross proceeds of approximately $30 million.
5. In October 2018, we issued and sold an aggregate of 36,409,088 Series B convertible preferred shares (including securities convertible into Series B convertible preferred shares) to seven accredited investors at $2.20 per share for gross proceeds of approximately $80 million.

6. In May 2020, we issued and sold $15.0 million in aggregate principal amount of convertible promissory notes, or the 2020 Notes.

7. In December 2020, we issued and sold an aggregate of 105,009,420 shares of Series C convertible preferred stock to 13 accredited investors at $0.823 per share for gross proceeds of approximately $87 million (inclusive of the conversion of the 2020 Notes).

The offers, sales and issuances of the securities described in paragraphs (1) through (3) were deemed to be exempt from registration under Rule 701 promulgated under the Securities Act as transactions under compensatory benefit plans and contracts relating to compensation, or under Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering. The recipients of such securities were our directors, employees or bona fide consultants and received the securities under our equity incentive plans. 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 us.

The offers, sales and issuances of the securities described in paragraphs (4) through (6) were deemed to be exempt under Section 4(a)(2) of the Securities Act or Rule 506 of Regulation D under the Securities Act as a transaction 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 to information about us. No underwriters were involved in these transactions.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

The exhibits listed below are filed as part of this registration statement.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
1.1*	Form of Underwriting Agreement.				
3.1	Amended and Restated Certificate of Incorporation, as amended, currently in effect.				X
3.2*	Amended and Restated Certificate of Incorporation, effecting a stock split.				
3.3*	Form of Amended and Restated Certificate of Incorporation, to be in effect immediately prior to the completion of this offering.				
3.4	Bylaws, currently in effect.				X
3.5*	Form of Amended and Restated Bylaws, to be in effect immediately prior to the completion of this offering.				
4.1*	Reference is made to Exhibits 3.1 through 3.5.				
4.2*	Form of Common Stock Certificate.				
5.1*	Opinion of Latham & Watkins LLP.				
10.1	Amended and Restated Investors' Rights Agreement, dated December 29, 2020, by and among the Registrant and the investors listed therein.				X

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.2	Lease, dated March 1, 2019, by and between the Registrant and DWF IV Century Plaza, LLC.				X
10.3	Lease, dated June 15, 2018, by and between the Registrant and Changning Raffles Shanghai.				X
10.4(a)#	2017 Equity Incentive Plan, as amended.				X
10.4(b)#	Form of Stock Option Grant Notice and Stock Option Agreement under 2017 Equity Incentive Plan, as amended.				X
10.4(c)#	Form of Early Exercise Stock Option Grant Notice and Stock Option Agreement under 2017 Equity Incentive Plan, as amended.				X
10.4(d)#	Form of International Stock Option Grant Notice and Stock Option Agreement under 2017 Equity Incentive Plan, as amended.				X
10.5(a)#*	2021 Incentive Award Plan.				
10.5(b)#*	Form of Stock Option Grant Notice and Stock Option Agreement under the 2021 Incentive Award Plan.				
10.5(c)#*	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement under the 2021 Incentive Award Plan.				
10.5(d)#*	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2021 Incentive Award Plan.				
10.6#*	2021 Employee Stock Purchase Plan.				
10.7#*	Employment Agreement by and between the Registrant and Erin Quirk, M.D.				
10.8#*	Employment Agreement by and between the Registrant and Senthil Sundaram.				
10.9#*	Employment Agreement by and between the Registrant and Mark Vignola, Ph.D.				
10.10#*	Non-Employee Director Compensation Program.				
10.11*	Form of Indemnification Agreement for directors and officers.				
10.12#*	Form of Change in Control Policy.				
10.13†	Exclusive License Agreement, dated as of February 9, 2018, between Terns Pharmaceuticals, Inc. and Eli Lilly and Company.				X
10.14†	Exclusive License Agreement, dated as of March 9, 2018, between Terns Pharmaceuticals, Inc. and Eli Lilly and Company.				X
10.15†	Assignment Agreement, dated as of June 24, 2019, by and among Terns Pharmaceuticals, Inc. and Vintagence Biotechnology Ltd.				X
10.16†	Exclusive Option and License, dated as of July 27, 2020, by and among Terns Pharmaceuticals, Inc., Terns, Inc., CaspianTern LLC, Hansoh (Shanghai) Healthtech Co., Ltd. and Jiangsu Hansoh Pharmaceutical Group Company Ltd.				X

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
21.1	List of subsidiaries.				X
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.				X
23.2*	Consent of Latham & Watkins LLP (included in Exhibit 5.1).				
24.1	Power of Attorney. Reference is made to the signature page to the Registration Statement.				X

* To be filed by amendment.
\# Indicates management contract or compensatory plan.
† Certain portions of this document that constitute confidential information have been redacted in accordance with Regulation S-K, Item 601(b)(10).

(b) Financial Statement Schedules.

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or 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:

1. 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.

2. For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Foster City, State of California on January 15, 2021.

TERNS PHARMACEUTICALS, INC.

By: /s/ Senthil Sundaram
Senthil Sundaram
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Senthil Sundaram and Mark Vignola, Ph.D., and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this 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, his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Senthil Sundaram Senthil Sundaram	Chief Executive Officer and Director *(Principal Executive Officer)*	January 15, 2021
/s/ Mark Vignola Mark Vignola, Ph.D.	Chief Financial Officer *(Principal Financial and Accounting Officer)*	January 15, 2021
/s/ Weidong Zhong Weidong Zhong, Ph.D.	Chief Scientific Officer and Chairman of the Board of Directors	January 15, 2021
/s/ David Fellows David Fellows	Director	January 15, 2021
/s/ Carl Gordon Carl Gordon, Ph.D., C.F.A.	Director	January 15, 2021
/s/ Jeffrey Kindler Jeffrey Kindler	Director	January 15, 2021
/s/ Hongbo Lu Hongbo Lu, Ph.D.	Director	January 15, 2021

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SIGNATURE	TITLE	DATE
/s/ Jill Quigley Jill Quigley, J.D.	Director	January 15, 2021
/s/ Yi Shi Yi Shi, Ph.D., MBA	Director	January 15, 2021
/s/ Elise Wang Elise Wang, MBA	Director	January 15, 2021

CERTIFICATE OF INCORPORATION OF TERNS PHARMACEUTICALS, INC.

FIRST: The name of this corporation is Terns Pharmaceuticals, Inc. (the "**Corporation**").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street in the City of Wilmington 19801, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "**General Corporation Law**").

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 299,700,000 shares of Common Stock, $0.0001 par value per share ("**Common Stock**") and (ii) 188,029,084 shares of Preferred Stock, $0.0001 par value per share ("**Preferred Stock**").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings); provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation or pursuant to the General Corporation Law. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of this Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

B. PREFERRED STOCK

As of the effective date of this Certificate of Incorporation, (a) 40,000,000 shares of the authorized Preferred Stock of the Corporation are designated "**Series A Preferred Stock**", (b) 36,409,088 shares of the authorized Preferred Stock of the Corporation are hereby designated "**Series B Preferred Stock**" and (c) 111,619,996 shares of the authorized Preferred Stock of the Corporation are hereby designated "**Series C Preferred Stock**". Unless otherwise indicated, references to "sections" or "subsections" in this Part B of this Article Fourth refer to sections and subsections of Part B of this Article Fourth.

1. Dividends.

The holders of then outstanding shares of Preferred Stock shall be entitled to receive, only when, as and if declared by the Board, dividends for each share of Preferred Stock, prior and in preference to any declaration or payment of any other dividend as set forth herein. The Corporation shall not declare, pay or set aside any dividends (whether in cash or property) on shares of any other class or series of capital stock of the Corporation unless (in addition to the obtaining of any consents required elsewhere in this Certificate of Incorporation) the holders of Series C Preferred Stock then outstanding first receive a non-cumulative dividend on each outstanding share and in an amount at least equal to eight percent (8%) of the Series C Original Issue Price (as defined below); following which, the holders of Series B Preferred Stock then outstanding receive a non-cumulative dividend on each outstanding share of Series B Preferred Stock in an amount at least equal to eight percent (8%) of the Series B Original Issue Price (as defined below); and following, which, the holders of Series A Preferred Stock then outstanding receive a non-cumulative dividend on each outstanding share of Series A Preferred Stock in an amount at least equal to eight percent (8%) of the Series A Original Issue Price (as defined below). The right to receive dividends on shares of Preferred Stock pursuant to the foregoing shall not be cumulative, and no rights to dividends shall accrue to holders of Preferred Stock by reason of the fact that dividends on said shares are not declared. As of the Filing Date (as defined below), the "**Original Issue Price**" shall mean $0.75 per share for the shares designated as Series A Preferred Stock (the "**Series A Original Issue Price**"), $2.20 per share for the shares designated as Series B Preferred Stock (the "**Series B Original Issue Price**") and $0.8320 per share for the shares designated as Series C Preferred Stock (the "**Series C Original Issue Price**"), in each case, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the shares of such series of Preferred Stock occurring after the filing date of this Certificate of Incorporation (the "**Filing Date**"). Furthermore, if and to the extent that prior to the Filing Date, any dividends have accrued or cumulated with respect to the Series A Preferred Stock or Series B Preferred Stock, any and all of such dividends shall, upon the Filing Date, be waived and forgiven retrospectively and prospectively and shall not be considered accrued or payable.

2. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

2.1 Preferential Payments to Holders of Preferred Stock.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders or, in the case of a Deemed Liquidation Event (as defined below), out of the consideration payable to stockholders in such Deemed Liquidation Event or the Available Proceeds (as defined below), before any payment shall be made to the holders of Series B Preferred Stock, Series A Preferred Stock or Common Stock by reason of their ownership thereof, an amount per share equal one times the Series C Original Issue Price, plus any dividends declared but unpaid thereon (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series C Preference Amount**"). If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series C Preferred Stock the full amount to which they shall be entitled under this Section 2.1, the holders of shares of Series C Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(b) Next, if there are any assets or funds remaining after the payment in full of the Series C Preference Amount, the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders or, in the case of a Deemed Liquidation Event (as defined below), out of the consideration not payable to the holders of shares of Series C Preferred Stock pursuant to Section 2.1 or the remaining Available Proceeds (as defined below), before any payment shall be made to the holders of Series A Preferred Stock or Common Stock by reason of their ownership thereof, an amount per share equal to one times the Series B Original Issue Price, plus any dividends declared but unpaid thereon (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series B Preference Amount**"). If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution in respect of the Series B Preferred Stock, after giving effect to the payment of the Series C Preference Amount, shall be insufficient to pay the holders of shares of Series B Preferred Stock the full amount to which they shall be entitled under this Section 2.1(b), the holders of shares of Series B Preferred Stock shall share ratably in any distribution of the assets available for distribution to such holders in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(c) Next, if there are any assets or funds remaining after the payment in full of the Series C Preference Amount and the Series B Preference Amount, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders or, in the case of a Deemed Liquidation Event (as defined below), out of the consideration not payable to the holders of shares of Series C Preferred Stock pursuant to Section 2.1 or the holders of shares of Series B Preferred Stock pursuant to Section 2.1(b) or the remaining Available Proceeds (as defined below), before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to one times the Series A Original Issue Price, plus any dividends declared but unpaid thereon (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series A Preference Amount**"). If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation

available for distribution in respect of the Series A Preferred Stock, after giving effect to the payment of the Series C Preference Amount and the Series B Preference Amount, shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled under this Section 2.1, the holders of shares of Series A Preferred Stock shall share ratably in any distribution of the assets available for distribution to such holders in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

2.2 Distribution of Remaining Assets. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after the payment in full of the Series C Preference Amount, the Series B Preference Amount and the Series A Preference Amount the remaining assets of the Corporation available for distribution to its stockholders or, in the case of a Deemed Liquidation Event, the consideration not payable to the holders of shares of Preferred Stock pursuant to Section 2.1 or the remaining Available Proceeds, as the case may be, shall be distributed among the holders of the shares of Preferred Stock and Common Stock, pro rata based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Common Stock pursuant to the terms of this Certificate of Incorporation immediately prior to such liquidation, dissolution or winding up of the Corporation. The aggregate amount which a holder of a share of Preferred Stock is entitled to receive under Sections 2.1 and (b) is hereinafter referred to as the "**Liquidation Amount**."

2.3 Deemed Liquidation Events.

2.3.1 Definition. Each of the following events shall be considered a "**Deemed Liquidation Event**" unless (x) the holders of Preferred Shares representing at least a majority of the shares of Common Stock into which such outstanding Preferred Shares are then convertible, voting together on as converted basis, and (y) the Series C Requisite Holders (as defined below) (collectively (x) and (y), the "**Requisite Holders**") elect otherwise by written notice sent to the Corporation at least five days prior to the effective date of any such event:

(a) a merger or consolidation in which

(i) the Corporation is a constituent party or

(ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation and such surviving or resulting corporation is not publicly traded; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation and such parent company of such surviving or resulting corporation is not publicly traded; or

(b) (1) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole or (2) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

2.3.2 Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Section 2.3.1(a)(i) unless the agreement or plan of merger or consolidation for such transaction (the "**Merger Agreement**") provides that the consideration payable to the stockholders of the Corporation in such Deemed Liquidation Event shall be allocated to the holders of capital stock of the Corporation in accordance with Sections 2.1 and (b).

(b) In the event of a Deemed Liquidation Event referred to in Section 2.3.1(a)(ii) or 2.3.1(b), if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within ninety (90) days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice (the "**Redemption Notice**") to each holder of Preferred Stock no later than the ninetieth (90th) day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause, (ii) to require the redemption of such shares of Preferred Stock, and (iii) if the Requisite Holders so request in a written instrument delivered to the Corporation not later than one hundred twenty (120) days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board**,** together with any other assets of the Corporation available for distribution to its stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the "**Available Proceeds**"), on the one hundred fiftieth (150th) day after such Deemed Liquidation Event, to redeem all outstanding shares of Preferred Stock at a price per share equal to the applicable Liquidation Amount and in the order of priority set forth in Section 2.1. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of Preferred Stock, the Corporation shall redeem a pro rata portion of each holder's shares of Preferred Stock to the fullest extent of such Available Proceeds, based on the respective amounts which would otherwise be payable in respect of the shares to be redeemed if the Available Proceeds were sufficient to redeem all such shares, and shall redeem the remaining shares as soon as it may lawfully do so under Delaware law governing distributions to stockholders. Prior to the distribution or redemption provided for in this Section 2.3.2(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business. With respect to any redemption required by this Section 2.3.2(b):

(i) each Redemption Notice shall state: (1) the number of shares of Preferred Stock held by the holder that the Corporation shall redeem; (2) the date of redemption (the "**Redemption Date**") and the applicable Liquidation Amount in respect of the shares of Preferred Stock held by such holder, and (3) for holders of shares in certificated form, that the holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificates representing the shares of Preferred Stock to be redeemed; and

(ii) on or before the Redemption Date, each holder of shares of Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Available Proceeds for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof.

2.3.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities to be paid or distributed to such holders pursuant to such Deemed Liquidation Event. The value of such property, rights or securities shall be determined in good faith by the Board.

2.3.4 Allocation of Escrow and Contingent Consideration. In the event of a Deemed Liquidation Event pursuant to Section 2.3.1(a)(i), if any portion of the consideration payable to the stockholders of the Corporation is payable only upon satisfaction of contingencies (the "**Additional Consideration**"), the Merger Agreement 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 2.1 and (b) as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event; 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 2.1 and (b) after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Section 2.3.4, consideration placed into escrow or retained as a holdback to be available for satisfaction of indemnification or similar obligations in connection with such Deemed Liquidation Event shall be deemed to be Additional Consideration.

3. Voting.

3.1 General. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of this Certificate of Incorporation, holders of Preferred Stock shall vote together with the holders of Common Stock as a single class and on an as-converted to Common Stock basis.

3.2 Election of Directors. As long as any shares of Series A Preferred Stock are outstanding, the holders of such shares of Series A Preferred Stock shall be entitled, voting exclusively and as a separate class, to elect one (1) director of the Corporation at any election of directors (the "**Series A Director**"). As long as any shares of Series B Preferred Stock are outstanding, the holders of such shares of Series B Preferred Stock shall be entitled, voting exclusively and as a separate class, to elect two (2) directors of the Corporation at any election of directors (each, a "**Series B Director**"). As long as any shares of Series C Preferred Stock are outstanding, the holders of such shares of Series C Preferred Stock shall be entitled, voting exclusively and as a separate class, to elect one (1) director of the Corporation at any election of directors (the "**Series C Director**" and collectively with the Series A Director and Series B Directors, the "**Preferred Directors**"). The holders of outstanding Common Stock, voting exclusively and as a separate class, shall be entitled to elect two (2) directors of the Corporation at any election of directors (the "**Common Directors**"). Any director elected as provided in the preceding sentences 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 the requisite series of Preferred Stock or Common Stock, as the case may be, fail to elect a sufficient number of Preferred Directors or Common Directors, as applicable, to fill all directorships for which they are entitled to elect directors, voting exclusively and as a separate class, pursuant to the first four sentences of this Section 3.2, then any directorship not so filled shall remain vacant until such time as the holders of the applicable series of 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. Notwithstanding the above, nothing in this Section 3.2 shall prohibit the Board from appointing any persons to fill vacancies on the Board with respect to directorships other than those for the

Preferred Directors or the Common Directors, in each case in accordance with the Company's Bylaws. The holders of record of the shares of Common Stock and of any other class or series of voting stock (including the Preferred Stock), exclusively and 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 particular 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 3.2, a vacancy in any directorship filled by the holders of any class or classes or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or classes or series. The rights of the holders of the Preferred Stock under this Section 3.2 shall terminate on the first date following the date the first share of Series C Preferred Stock was issued (the "**Original Issue Date**") on which there are issued and outstanding less than 45,000,000 shares of Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination, or other similar recapitalization with respect to the Preferred Stock).

3.3 Preferred Stock Protective Provisions. At any time when at least 45,000,000 shares of Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Preferred Stock) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation, recapitalization, reclassification, or otherwise, do any of the following without (in addition to any other vote required by law or this Certificate of Incorporation) the written consent or affirmative vote of the holders of Preferred Shares representing at least a majority of the shares of Common Stock into which such outstanding Preferred Shares are then convertible, voting together as a single class on as-converted basis, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

3.3.1 amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of the Corporation in a manner that adversely affects the powers, preferences or rights of the Preferred Stock;

3.3.2 merge or consolidate the Corporation or any subsidiary with any other entity or entities;

3.3.3 liquidate, dissolve, windup or terminate business and affairs of the Corporation or any subsidiary, effect any merger or consolidation or any other Deemed Liquidation Event, or consent to any of the foregoing;

3.3.4 create, adopt, amend, terminate or repeal any equity (or equity-linked) compensation plan or amend or waive any of the terms of any option or other grant pursuant to any such plan;

3.3.5 increase or decrease the authorized number of directors constituting the Board, or change the number of votes entitled to be cast by any director or directors on any matter;

3.3.6 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 other than (i) redemptions of or dividends or distributions on the Preferred Stock as expressly authorized herein, (ii) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock, (iii) repurchases of stock 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 no greater than the original purchase price thereof, or (iv) pursuant to a contractual right of first refusal in favor of the Corporation;

3.3.7 create, or authorize the creation of, or reclassify, any capital stock unless the same ranks junior to the Preferred Stock with respect to its rights, preferences and privileges, or increase the authorized number of shares of Preferred Stock or any additional class or series of capital stock of the Corporation unless the same ranks junior to the Preferred Stock with respect to its rights, preferences and privileges; or

3.3.8 create, or hold capital stock in, any subsidiary that is not wholly owned (either directly or through one (1) or more other subsidiaries) by the Corporation, or permit any subsidiary to create, or authorize the creation of, or issue or obligate itself to issue, any shares of any class or series of capital stock, or sell, transfer or otherwise dispose of any capital stock of any direct or indirect subsidiary of the Corporation, or permit any direct or indirect subsidiary to sell, lease, transfer, exclusively license or otherwise dispose (in a single transaction or series of related transactions) of all or substantially all of the assets of such subsidiary.

3.4 Series C Preferred Stock Protective Provisions. At any time when at least 20,000,000 shares of Series C Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series C Preferred Stock) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation, recapitalization, reclassification, or otherwise, do any of the following without (in addition to any other vote required by law or this Certificate of Incorporation) the written consent or affirmative vote of the holders of at least sixty percent (60%) of the then outstanding shares of Series C Preferred Stock (the "**Series C Requisite Holders**") given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

3.4.1 amend, alter or repeal any provision of this Certificate of Incorporation or Bylaws of the Corporation in a manner that adversely affects the powers, preferences or rights of the Series C Preferred Stock;

3.4.2 authorize, create or issue equity securities having rights, priority or preferences superior to or on par with the Series C Preferred Stock,

3.4.3 increase or decrease the authorized number of shares of Series C Preferred Stock; or

3.4.4 effect any Deemed Liquidation Event or waive the payment of the Series C Preference Amount in connection therewith.

4. Optional Conversion. The holders of the Preferred Stock shall have conversion rights as follows (the "**Conversion Rights**"):

4.1 Right to Convert.

4.1.1 Conversion Ratio. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the applicable Original Issue Price by the applicable Conversion Price (as defined below) in effect at the time of conversion. As of the Filing Date, the "**Conversion Price**" for each share of (i) Series A Preferred Stock shall be equal to the Series A Original Issue Price, (ii) Series B Preferred Stock shall be equal to $1.00, and (iii) Series C Preferred Stock shall be equal to the Series C Original Issue Price. Such initial Conversion Price, and the rate at which shares of Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

4.1.2 Termination of Conversion Rights. In the event of a Redemption Notice, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the last full day preceding the date fixed for redemption, unless the redemption price is not fully paid on such redemption date, in which case the Conversion Rights for such shares shall continue until such price is paid in full. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Preferred Stock; provided that the foregoing termination of Conversion Rights shall not affect the amount(s) otherwise paid or payable in accordance with Section 2.1 to holders of Preferred Stock pursuant to such liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event.

4.2 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the number of shares of Common Stock to be issued upon conversion of the Preferred Stock shall be rounded down to the nearest whole share.

4.3 Mechanics of Conversion.

4.3.1 Notice of Conversion. In order for a holder of Preferred Stock to voluntarily convert such shares of Preferred Stock into shares of Common Stock, such holder shall (a) provide written notice to the Corporation's transfer agent at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent) that such holder elects to convert all or any number of such holder's shares of Preferred Stock and, if applicable, any event on which such conversion is contingent and (b), if such holder's shares are certificated, surrender the certificate or certificates for such shares of Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to

the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent). Such notice shall state such holder's name or the names of the nominees in which such holder wishes the shares of Common Stock to be issued. If required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such notice and, if applicable, certificates (or lost certificate affidavit and agreement) shall be the time of conversion (the "**Conversion Time**"), and the shares of Common Stock issuable upon conversion of the specified shares shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time (i) issue and deliver to such holder of Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, and (ii) pay all declared but unpaid dividends on the shares of Preferred Stock converted.

4.3.2 Reservation of Shares. The Corporation shall at all times when the Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding 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 the Preferred Stock, the Corporation shall take such corporate action as may 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 best efforts to obtain the requisite stockholder approval of any necessary amendment to this Certificate of Incorporation. Before taking any action which would cause an adjustment reducing the applicable Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of such Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and non-assessable shares of Common Stock at such adjusted Conversion Price.

4.3.3 Effect of Conversion. All shares of Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor and to receive payment of any dividends declared but unpaid thereon. Any shares of Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

4.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the applicable Conversion Price shall be made for any declared but unpaid dividends on such Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

4.3.5 Taxes. The Corporation shall pay any and all issuance and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Preferred Stock pursuant to this Section 4. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

4.4 Adjustments to Conversion Price for Diluting Issues.

4.4.1 Special Definitions. For purposes of this Article Fourth, the following definitions shall apply:

(a) "**Additional Shares of Common Stock**" shall mean all shares of Common Stock issued (or, pursuant to Section 4.4.3 below, deemed to be issued) by the Corporation after the Original Issue Date, other than (1) the following shares of Common Stock and (2) shares of Common Stock deemed issued pursuant to the following Options (as defined below) and Convertible Securities (as defined below) (the securities described in clauses (1) and (2), collectively, "**Exempted Securities**"):

(i) as to any series of Preferred Stock shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on such series of Preferred Stock;

(ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Section 4.5, 4.6, 4.7 or 4.8**;**

(iii) shares of Common Stock or Options issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board, including at least two Preferred Directors;

(iv) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security;

(v) shares of Common Stock, Options or Convertible Securities issued to institutional lenders, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board ;

(vi) shares of Common Stock, Options or Convertible Securities issued pursuant to the acquisition of another corporation by the Corporation by merger, purchase of substantially all of the assets or other reorganization or to a joint venture agreement, provided that such issuances are approved by the Board, including at least two Preferred Directors;

(vii) shares of Common Stock, Options or Convertible Securities issued in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships approved by the Board, including at least two Preferred Directors;

(viii) shares of Common Stock or Preferred Stock issued pursuant to the exercise of the LAV Option Agreements (as defined in the Series C Purchase Agreement (defined below));

(ix) shares of Series C Preferred Stock issued in connection with that certain Series C Preferred Stock Purchase Agreement, dated on or about the Filing Date (the "**Series C Purchase Agreement**"); or

(x) shares of Common Stock issued in an underwritten public offering of the Corporation's Common Stock pursuant to a registration statement under the Securities Act of 1933, as amended.

(b) "**Convertible Securities**" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(c) "**Option**" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

4.4.2 No Adjustment of Conversion Price. No adjustment in the applicable Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the Requisite Holders agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock. Notwithstanding the foregoing, in the event that the issuance or deemed issuance of Additional Shares of Common Stock is at price per share that is less than the Series B Conversion Price but greater than the Series C Conversion Price, any waiver to the adjustment of the Series B Conversion Price in connection with such issuance or deemed issuance shall require the prior written consent of the holders of at least a majority of the Series B Preferred Stock.

4.4.3 Deemed Issuance of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Conversion Price of any series of Preferred Stock pursuant to the terms of Section 4.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Conversion Price computed upon the original issuance of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Conversion Price as would have been obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have

the effect of increasing such Conversion Price to an amount which exceeds the lower of (i) the Conversion Price in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to the Conversion Price of any series of Preferred Stock pursuant to the terms of Section 4.4.4 (either because the consideration per share (determined pursuant to Section 4.4.5) of the Additional Shares of Common Stock subject thereto was equal to or greater than such Conversion Price then in effect, or because such Option or Convertible Security was issued before the Original Issue Date), are revised after the Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Section 4.4.3(a) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Conversion Price of any series of Preferred Stock pursuant to the terms of Section 4.4.4, such the Conversion Price shall be readjusted to such Conversion Price as would have been obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Conversion Price of any series of Preferred Stock provided for in this Section 4.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in this Section 4.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to such Conversion Price that would result under the terms of this Section 4.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Conversion Price that such issuance or amendment took place at the time such calculation can first be made.

4.4.4 Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section 4.4.3), without consideration or for a consideration per share less than the Conversion Price of any series of Preferred Stock in effect immediately prior to such issuance or deemed issuance, then such Conversion Price shall be reduced, concurrently with such issuance, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP_2 = CP_1 * (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

(a) "CP_2" shall mean the applicable Conversion Price in effect immediately after such issuance or deemed issuance of Additional Shares of Common Stock

(b) "CP_1" shall mean the applicable Conversion Price in effect immediately prior to such issuance or deemed issuance of Additional Shares of Common Stock;

(c) "A" shall mean the number of shares of Common Stock outstanding immediately prior to such issuance or deemed issuance of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issuance or deemed issuance or upon conversion or exchange of Convertible Securities (including the Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issuance);

(d) "B" shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued or deemed issued at a price per share equal to CP_1 (determined by dividing the aggregate consideration received by the Corporation in respect of such issuance by CP_1); and

(e) "C" shall mean the number of such Additional Shares of Common Stock issued in such transaction.

4.4.5 Determination of Consideration. For purposes of this Section 4.4, the consideration received by the Corporation for the issuance or deemed issuance of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property. Such consideration shall:

(i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the

Corporation, excluding amounts paid or payable for accrued interest;

(ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board; and

(iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 4.4.3, relating to Options and Convertible Securities, shall be determined by dividing:

(i) the total amount, if any, received or receivable by the Corporation as consideration for the issuance of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

4.4.6 Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Conversion Price of any series of Preferred Stock pursuant to the terms of Section 4.4.4, and such issuance dates occur within a period of no more than ninety (90) days from the first such issuance to the final such issuance then, upon the final such issuance, such Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

4.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Original Issue Date effect a subdivision of the outstanding Common Stock, each Conversion Price in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock, each Conversion Price in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this Section shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the Conversion Price for each series of Preferred Stock in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying such Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price for each series of Preferred Stock shall be recomputed accordingly as of the close of business on such record date and thereafter such Conversion Price shall be adjusted pursuant to this Section 4.6 as of the time of actual payment of such dividends or distributions; and (b) no such adjustment shall be made if the holders of Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

4.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section 1 do not apply to such dividend or distribution, then and in each such event the holders of Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

4.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Section 2.3, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Sections 4.4, 4.6 or 4.7), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board) shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of the Preferred Stock, to the end that the provisions set forth in this Section 4 (including provisions with respect to changes in and other adjustments of each Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Preferred Stock.

4.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price of any series of Preferred Stock pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than 10 days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of such series of Preferred Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which of such series of Preferred Stock is convertible) and showing in detail

the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Preferred Stock (but in any event not later than 10 days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Conversion Price for such series of Preferred Stock then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of each share of each series Preferred Stock.

4.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Preferred Stock and the Common Stock. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified in such notice.

5. Mandatory Conversion.

5.1 Trigger Events. Upon either (a) the point in time immediately prior to the closing of the sale of shares of Common Stock in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $75,000,000 of gross proceeds to the Corporation at a price per share to the public of at least 1.2 times the Series C Original Issue Price per share and in connection with such offering the Common Stock is listed for trading on the Nasdaq Stock Market's National Market, the New York Stock Exchange or another exchange or marketplace approved the Board (a "**Qualified IPO**") or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the Requisite Holders (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the "**Mandatory Conversion Time**"), then (i) all outstanding shares of Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate as calculated pursuant to Section 4.1.1 and (ii) such shares may not be reissued by the Corporation.

5.2 Procedural Requirements. All holders of record of shares of Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Preferred Stock pursuant to this Section 5. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Preferred Stock in certificated form shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock converted pursuant to Section 5.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender any certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of any certificate or certificates of such holders (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Section 5.2. As soon as practicable after the Mandatory Conversion Time and, if applicable, the surrender of any certificate or certificates (or lost certificate affidavit and agreement) for Preferred Stock, the Corporation shall (a) issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof and (b) pay any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

6. Redemption. The Preferred Stock is not redeemable upon demand by the holders of the Preferred Stock except in accordance with Subsection 2.3.2(b).

7. Redeemed or Otherwise Acquired Shares. Any shares of Preferred Stock that are redeemed, converted or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Preferred Stock following redemption, conversion or acquisition.

8. Waiver. Except as otherwise set forth herein, (a) 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 Requisite Holders and (b) at any time more than one series of Preferred Stock is issued and outstanding, any of the rights, powers, preferences and other terms of any series of Preferred Stock set forth herein may be waived on behalf of all holders of such series of Preferred Stock by the affirmative written consent or vote of the holders of at least a majority of the shares of such series of Preferred Stock then outstanding; provided however that any holder of Preferred Stock may waive its rights hereunder on such holder's own behalf without the consent of any other party.

9. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.

FIFTH: Subject to any additional vote required by this Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

SIXTH: Subject to any additional vote required by this Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation. Each director shall be entitled to one vote on each matter presented to the Board.

SEVENTH: Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

EIGHTH: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board or in the Bylaws of the Corporation.

NINTH: To the fullest extent permitted by law, 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. If the General Corporation Law or any other law of the State of Delaware is amended after approval by the stockholders of this Article Ninth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article Ninth by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.000

TENTH: The following indemnification provisions shall apply to the persons enumerated below.

1. Right to Indemnification of Directors and Officers. The Corporation shall indemnify, defend and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an "**Indemnified Person**") who was or

is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**"), by reason of the fact that such person, or a person for whom such person is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Indemnified Person in such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 3 of this Article Tenth the Corporation shall be required to indemnify an Indemnified Person in connection with a Proceeding (or part thereof) commenced by such Indemnified Person only if the commencement of such Proceeding (or part thereof) by the Indemnified Person was authorized in advance by the Board.

2. Prepayment of Expenses of Directors and Officers. The Corporation shall pay the expenses (including attorneys' fees) incurred by an Indemnified Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Indemnified Person to repay all amounts advanced if it should be ultimately determined that the Indemnified Person is not entitled to be indemnified under this Article Tenth or otherwise.

3. Claims by Directors and Officers. If a claim for indemnification or advancement of expenses under this Article Tenth is not paid in full within 30 days after a written claim therefor by the Indemnified Person has been received by the Corporation, the Indemnified Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Indemnified Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

4. Indemnification of Employees and Agents. The Corporation may indemnify and advance expenses to any person who was or is made or is threatened to be made or is otherwise involved in any Proceeding by reason of the fact that such person, or a person for whom such person is the legal representative, is or was an employee or agent of the Corporation or, while an employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person in connection with such Proceeding. The ultimate determination of entitlement to indemnification of persons who are non-director or officer employees or agents shall be made in such manner as is determined by the Board in its sole discretion. Notwithstanding the foregoing sentence, the Corporation shall not be required to indemnify a person in connection with a Proceeding initiated by such person if the Proceeding was not authorized in advance by the Board.

5. Advancement of Expenses of Employees and Agents. The Corporation may pay the expenses (including attorneys' fees) incurred by an employee or agent in defending any Proceeding in advance of its final disposition on such terms and conditions as may be determined by the Board.

6. Non-Exclusivity of Rights. The rights conferred on any person by this Article Tenth shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, the Bylaws of the Corporation, or any agreement, or pursuant to any vote of stockholders or disinterested directors or otherwise.

7. Other Indemnification. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer or employee of another Corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise shall be reduced by any amount such person may collect as indemnification from such other Corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise.

8. Insurance. The Board may, to the full extent permitted by applicable law as it presently exists, or may hereafter be amended from time to time, authorize an appropriate officer or officers to purchase and maintain at the Corporation's expense insurance: (a) to indemnify the Corporation for any obligation which it incurs as a result of the indemnification of directors, officers and employees under the provisions of this Article Tenth; and (b) to indemnify or insure directors, officers and employees against liability in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Article Tenth.

9. Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Article Tenth shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification. The rights provided hereunder shall inure to the benefit of any Indemnified Person and such person's heirs, executors and administrators.

ELEVENTH: The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "**Excluded Opportunity**" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee, affiliate or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, the persons referred to in clauses (i) and (ii) are "**Covered Persons**"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Corporation while such Covered Person is performing services in such capacity. Any repeal or modification of this Article Eleventh will only be prospective and will not affect the rights under this Article Eleventh in effect at the time of the occurrence of any actions or omissions to act giving rise to liability. Notwithstanding anything to the contrary contained elsewhere in this Certificate of Incorporation, the affirmative vote of the Requisite Holders, will be required to amend or repeal, or to adopt any provisions inconsistent with this Article Eleventh.

TWELFTH: Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation, its directors, officers or employees arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or bylaws or (iv) any action asserting a claim against the Corporation, its directors, officers or employees governed by the internal affairs doctrine, except for, as to each of (i) through (iv) above, any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten (10) days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery, or for which the Court of Chancery does not have subject matter jurisdiction. If any provision or provisions of this Article Twelfth shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article Twelfth (including, without limitation, each portion of any sentence of this Article Twelfth containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

THIRTEENTH: Unless the Corporation consents in writing to the selection of an alternate forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. Any person or entity purchasing or otherwise acquiring any interest in any security of the Corporation shall be deemed to have notice of and consented to this Article Thirteenth.

FOURTEENTH: For purposes of Section 500 of the California Corporations Code (to the extent applicable), in connection with any repurchase of shares of Common Stock permitted under this Certificate of Incorporation from employees, officers, directors or consultants of the Corporation in connection with a termination of employment or services pursuant to agreements or arrangements approved by the Board (in addition to any other consent required under this Certificate of Incorporation), such repurchase may be made without regard to any "preferential dividends arrears amount" or "preferential rights amount" (as those terms are defined in Section 500 of the California Corporations Code). Accordingly, for purposes of making any calculation under California Corporations Code Section 500 in connection with such repurchase, the amount of any "preferential dividends arrears amount" or "preferential rights amount" (as those terms are defined therein) shall be deemed to be zero (0).

* * *

[Signature Page Follows]

IN WITNESS WHEREOF, the Certificate of Incorporation has been executed by the incorporator on this 29th day of December, 2020.

By: /s/ Senthil Sundaram

Senthil Sundaram,
Incorporator
1065 East Hillsdale Blvd., Suite 100
Foster City, CA 94404

BYLAWS

OF

TERNS PHARMACEUTICALS, INC.

(a Delaware corporation)

Adopted as of December 29, 2020

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ARTICLE I.
IDENTIFICATION; OFFICES

SECTION 1. NAME. The name of the corporation is Terns Pharmaceuticals, Inc. (the "Corporation").

SECTION 2. PRINCIPAL AND BUSINESS OFFICES. The Corporation may have such principal and other business offices, either within or outside of the state of Delaware, as the Board of Directors may designate or as the Corporation's business may require from time to time.

SECTION 3. REGISTERED AGENT AND OFFICE. The Corporation's registered agent may be changed from time to time by or under the authority of the Board of Directors. The address of the Corporation's registered agent may change from time to time by or under the authority of the Board of Directors, or the registered agent. The business office of the Corporation's registered agent shall be identical to the registered office. The Corporation's registered office may be but need not be identical with the Corporation's principal office in the state of Delaware. The Corporation's initial registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

SECTION 4. CORPORATE RECORDS. Any records and documents required by law to be kept by the Corporation permanently or administered by the Corporation in the regular course of business may be kept on, or by means of, or be in the form of, any information storage device, method, or one more electronic networks or databases, provided that the records so kept can be converted into clearly legible paper form within a reasonable time and, with respect to the stock ledger, the records so kept comply with Section 224 of the Delaware General Corporation Law. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to applicable law.

ARTICLE II.
STOCKHOLDERS

SECTION 1. ANNUAL MEETING. An annual meeting of the stockholders shall be held on such date as may be designated by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President. At each annual meeting, the stockholders shall elect directors to hold office for the term provided in Section 2 of Article III of these Bylaws and transact such other business as may properly be brought before the meeting.

SECTION 2. SPECIAL MEETING. A special meeting of the stockholders for any purpose or purposes may be called at any time only by the President, the Board of Directors, the Chairman of the Board, the Chief Executive Officer or any other person designated by the Board of Directors. The Board of Directors may postpone or reschedule any previously scheduled special meeting of stockholders. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

SECTION 3. PLACE OF STOCKHOLDER MEETINGS. The Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting. If no such place is designated by the Board of Directors, the place of meeting will be the principal business office of the Corporation or the Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but will instead be held solely by means of remote communication as provided under Section 211 of the Delaware General Corporation Law.

SECTION 4. NOTICE OF MEETINGS. Except as otherwise provided by law or waived as herein provided, whenever stockholders are required or permitted to take any action at a meeting, whether annual or special, notice of the meeting shall be given stating the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders may be deemed to be present in person and vote at such meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Such notice shall be given unless otherwise required by law not less than 10 days nor more than 60 days before the date of the meeting to each stockholder entitled to vote at the meeting.

When a meeting is adjourned to reconvene at the same or another place, if any, or by means of remote communications, if any, in accordance with Section 6 of Article II of these Bylaws, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken.

SECTION 5. QUORUM. Unless otherwise provided by law, the Corporation's Certificate of Incorporation or these Bylaws, the holders of a majority in voting power of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person, present by means of remote communication in a manner, if any, authorized by the Board of Directors in its sole discretion, or represented by proxy, shall constitute a quorum for the transaction of business; provided, however, that where a separate vote by a class or classes or series of capital stock is required by law or the Certificate of Incorporation, the holders of a majority in voting power of the shares of such class or classes or series of the capital stock of the Corporation issued and outstanding and entitled to vote on such matter, present in person, present by means of remote communication in a manner, if any, authorized by the Board of Directors in its sole discretion, or represented by proxy, shall constitute a quorum entitled to take action with respect to the vote on such matter. If a quorum is present in person or represented by proxy at such meeting, such stockholders may continue to transact business until adjournment, notwithstanding the withdrawal of such number of stockholders as may leave less than a quorum.

SECTION 6. ADJOURNED MEETINGS. Any meeting of stockholders may be adjourned from time to time to any other time and to any other place (or by means of remote communications, if any) at which a meeting of stockholders may be held under these Bylaws by the chairman of the meeting or by a majority of the stockholders present or represented at the meeting and entitled to vote, although less than a quorum. It shall not be necessary to notify any stockholder of any adjournment of less than 30 days if the time and place, if any, of the adjourned meeting, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

SECTION 7. FIXING OF RECORD DATE.

(a) The Board of Directors may fix in advance a date as a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof. Such record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 days nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) For the purpose of determining stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is established by the Board of Directors, and which date shall not be more than 10 days after the date on which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal office, or an officer or agent of the Corporation having custody of the book in which the proceedings of meetings of stockholders are recorded. Delivery to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders' consent to corporate action in writing without a meeting shall be the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) For the purpose of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect to any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix the record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining the stockholders for any such purpose shall be the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 8. VOTING LIST. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of 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, for a period of at least 10 days prior to the meeting, (i) by a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to the stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, such list shall be the only evidence as to the identity of stockholders entitled to examine the list of stockholders required by this Section 8 or to vote in person or by proxy at any meeting of the stockholders. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list.

SECTION 9. VOTING. Unless otherwise provided by the Certificate of Incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by each stockholder. When a quorum is present at any meeting, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, except when a different vote is required by law, the Certificate of Incorporation or these Bylaws. When a quorum is present at any meeting, directors shall be elected by plurality of the votes of the shares present in person or represented by a proxy at the meeting entitled to vote on the election of directors.

SECTION 10. PROXIES. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting (including by means of remote communications, if any, by which stockholders may be deemed to be present in person and vote at such meeting) may authorize another person or persons to act for him by proxy (executed or transmitted in a manner permitted by the Delaware General Corporation Law), but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may remain irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally.

SECTION 11. RATIFICATION OF ACTS OF DIRECTORS AND OFFICERS. Except as otherwise provided by law or by the Certificate of Incorporation of the Corporation, any transaction or contract or act of the Corporation or of the directors or the officers of the Corporation may be ratified by the affirmative vote of the holders of the number of shares which would have been necessary to approve such transaction, contract or act at a meeting of stockholders, or by the written consent of stockholders in lieu of a meeting.

SECTION 12. CONDUCT OF MEETINGS.

(a) Chairman of Meeting. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in the Chairman's absence by the Vice Chairman of the Board, if any, or in the Vice Chairman's absence by the Chief Executive Officer, or in the Chief Executive Officer's absence, by the President, or in the President's absence by a Vice President, or in the absence of all of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen by vote of the stockholders at the meeting. The Secretary shall act as secretary of the meeting, but in the Secretary's absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

(b) Rules, Regulations and Procedures. The Board of Directors may adopt by resolution such rules, regulations and procedures for the conduct of any meeting of stockholders of the Corporation as it shall deem appropriate including, without limitation, such guidelines and procedures as it may deem appropriate regarding the participation by means of remote communication of stockholders and proxyholders not physically present at a meeting. Except to the extent inconsistent with such rules, regulations and procedures as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as shall be determined; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 13. ACTION WITHOUT MEETING.

(a) Any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be delivered to the Corporation signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(b) Prompt notice of the taking of the corporate action without a meeting by less than unanimous consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation.

(c) An electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxy holder, or by a person or persons authorized to act for a stockholder or proxy holder, shall be deemed to be written, signed and dated for the purposes of this section, provided that any such electronic transmission sets forth or is delivered with information from which the Corporation can determine (i) that the electronic transmission was transmitted by the stockholder or proxy holder or by a person or persons authorized to act for the stockholder or proxy holder and (ii) the date on which such stockholder or proxy holder or authorized person or persons transmitted such electronic transmission. A consent given by electronic transmission is delivered to the Corporation upon the earliest of: (i) when the consent enters an information processing system, if any, designated by the Corporation for receiving consents, so long as the electronic transmission is in a form capable of being processed by that system and the Corporation is able to retrieve that electronic transmission; (ii) when a paper reproduction of the consent is delivered to the Corporation's principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders or members are recorded; (iii) when a paper reproduction of the consent is delivered to the Corporation's registered office in this State by hand or by certified or registered mail, return receipt requested; or (iv) when delivered in such other manner, if any, provided by resolution of the Board of Directors or governing body of the Corporation. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

ARTICLE III.
DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation.

SECTION 2. NUMBER AND TENURE OF DIRECTORS. Subject to the rights of holders of any class or series of capital stock of the Corporation to elect directors, the number of directors of the Corporation shall be determined from time to time by the stockholders or the Board of Directors in a resolution adopted by the Board of Directors. Each director shall hold office until the next annual meeting of stockholders and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal.

SECTION 3. ELECTION OF DIRECTORS. Except as otherwise provided in these Bylaws, directors shall be elected at the annual meeting of stockholders by such stockholders as have the right to vote on such election. Directors need not be residents of the State of Delaware. Directors need not be stockholders of the Corporation. Elections of directors need not be by written ballot.

SECTION 4. CHAIRMAN OF THE BOARD; VICE CHAIRMAN OF THE BOARD. The Board of Directors may appoint from its members a Chairman of the Board and a Vice Chairman of the Board, neither of whom need be an employee or officer of the Corporation. If the Board of Directors appoints a Chairman of the Board, such Chairman shall perform such duties and possess such powers as are assigned by the Board of Directors. If the Board of Directors appoints a Vice Chairman of the Board, such Vice Chairman shall perform such duties and possess such powers as are assigned by the Board of Directors. Unless otherwise provided by the Board of Directors, the Chairman of the Board or, in the Chairman's absence, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board of Directors.

SECTION 5. QUORUM. The greater of (a) a majority of the directors at any time in office and (b) one-third of the number of directors fixed pursuant to Section 2 of Article III of these Bylaws shall constitute a quorum of the Board of Directors. If less than a quorum are present at a meeting of the Board of Directors, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until such quorum shall be present.

SECTION 6. VOTING. Other than as required in that certain Investors Rights Agreement, dated as of December 29, 2020, by and among the Corporation and the stockholders party thereto, the vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the Delaware General Corporation Law or the Certificate of Incorporation requires a vote of a greater number.

SECTION 7. VACANCIES. Except as otherwise provided in the Certificate of Incorporation, subject to the rights of holders of any series of Preferred Stock to elect directors, unless and until filled by the stockholders, any vacancy or newly-created directorship on the Board of Directors, however occurring, may be filled by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of such director's predecessor in office, and a director chosen to fill a position resulting from a newly-created directorship shall hold office until the next annual meeting of stockholders and until a successor is elected and qualified, or until such director's earlier death, resignation or removal.

SECTION 8. REMOVAL OF DIRECTORS. Except as otherwise provided by the General Corporation Law of the State of Delaware, a director, or the entire Board of Directors, may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, except that the directors elected by the holders of a particular class or series of stock may be removed without cause only by vote of the holders of a majority of the outstanding shares of such class or series.

SECTION 9. RESIGNATION. Any director may resign by delivering a resignation in writing or by electronic transmission to the Corporation at its principal office or to the Chairman of the Board, the Chief Executive Officer, the President or the Secretary. Such resignation shall be effective upon delivery unless it is specified to be effective at some later time or upon the happening of some later event.

SECTION 10. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such time, place and manner as shall be determined from time to time by the Board of Directors; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

SECTION 11. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the Chief Executive Officer, the President, two or more directors or by one director in the event that there is only a single director in office. The person or persons authorized to call special meetings of the Board of Directors may fix any time, date or place, either within or without the State of Delaware, for holding any special meeting of the Board of Directors called by them.

SECTION 12. NOTICE OF SPECIAL MEETINGS OF THE BOARD OF DIRECTORS. Notice of the date, place, if any, and time of any special meeting of the Board of Directors shall be given to each director by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director (a) in person, by telephone, fax or by electronic transmission at least 24 hours in advance of the meeting, (b) by sending written notice by reputable overnight courier or delivering written notice by hand, to such director's last known business, home or facsimile address at least 48 hours in advance of the meeting, or (c) by sending written notice by first-class mail to such director's last known business or home address at least 72 hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting.

SECTION 13. WRITTEN ACTION BY DIRECTORS. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, or by electronic transmission. Without limiting the manner by which consent may be given, members of the Board of Directors may consent by delivery of an electronic transmission when such transmission is directed to a facsimile number or electronic mail address at which the Corporation has consented to receive such electronic transmissions, and copies of the electronic transmissions are filed with the minutes of proceedings of the Board of Directors or committee. After an action is taken, the consent or consents relating thereto shall be filed with the minutes of the proceedings of the Board of Directors, or the committee thereof, in the same paper or electronic form as the minutes are maintained.

SECTION 14. PARTICIPATION BY CONFERENCE TELEPHONE. Members of the Board of Directors, or any committee designated by such board, may participate in a meeting of the Board of Directors, or committee thereof, by means of conference telephone or similar communications equipment as long as all persons participating in the meeting can speak with and hear each other, and participation by a director pursuant to this section shall constitute presence in person at such meeting.

SECTION 15. COMMITTEES. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation with such lawfully delegable powers and duties as the Board of Directors thereby confers, to serve at the pleasure of the Board of Directors. 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 at any meeting of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or

disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it, but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by law to be submitted to stockholders for approval or (ii) adopting, amending or repealing any bylaw of the Corporation. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the Board of Directors. Except as otherwise provided in the Certificate of Incorporation, these Bylaws, or the resolution of the Board of Directors designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

SECTION 16. COMPENSATION OF DIRECTORS. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefore. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV.
OFFICERS

SECTION 1. GENERAL PROVISIONS. The officers of the Corporation shall consist of a Chief Executive Officer, a President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, including one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate. No officer need be a stockholder. Any two or more offices may be held by the same person. The officers elected by the Board of Directors shall have such duties as are hereafter described and such additional duties as the Board of Directors may from time to time prescribe.

SECTION 2. ELECTION AND TERM OF OFFICE. The Chief Executive Officer, President, Treasurer and Secretary shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held after each annual meeting of the stockholders. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as may be convenient. Other officers may be appointed at any time, at a meeting or by the written consent of the Board of Directors. Except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws, each officer shall hold office until his successor has been duly elected and qualified, unless a different term is specified in the resolution electing or appointing such officer, or until his earlier death, resignation or removal. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 3. RESIGNATION AND REMOVAL OF OFFICERS. Any officer may resign by delivering a written resignation to the Corporation at its principal office or to the Chief Executive Officer, the President or the Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some later time or upon the happening of some later event. Any officer may be removed at any time, with or without cause, by vote of a majority of the directors then in office. Except as the Board of Directors may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer for any period following such officer's resignation or removal, or any right to damages on account of such removal, whether such officer's compensation be by the month or by the year or otherwise, unless such compensation is expressly provided for in a duly authorized written agreement with the Corporation.

SECTION 4. VACANCIES. The Board of Directors may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices other than those of Chief Executive Officer, President, Treasurer and Secretary. Each such successor shall hold office for the unexpired term of such officer's predecessor and until a successor is elected and qualified, or until such officer's earlier death, resignation or removal.

SECTION 5. THE CHIEF EXECUTIVE OFFICER. Unless the Board of Directors has designated another person as the Corporation's Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The Chief Executive Officer shall have general charge and supervision of the business and affairs of the Corporation subject to the direction of the Board of Directors, and shall perform all duties and have all powers that are commonly incident to the office of chief executive or that are delegated to such officer by the Board of Directors. The Chief Executive Officer shall preside at all meetings of the Board of Directors and shall see that orders and resolutions of the Board of Directors are carried into effect. The Chief Executive Officer may sign bonds, mortgages, certificates for shares and all other contracts and documents whether or not under the seal of the Corporation except in cases where the signing and execution thereof shall be expressly delegated by law, by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation. The Chief Executive Officer shall have general powers of supervision and shall be the final arbiter of all differences between officers of the Corporation and his decision as to any matter affecting the Corporation shall be final and binding as between the officers of the Corporation subject only to the Board of Directors.

SECTION 6. THE PRESIDENT. In the absence of the Chief Executive Officer or in the event of his inability or refusal to act, the President shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. At all other times the President shall have the active management of the business of the Corporation under the general supervision of the Chief Executive Officer or the Board of Directors. The President shall have concurrent power with the Chief Executive Officer to sign bonds, mortgages, certificates for shares and other contracts and documents, whether or not under the seal of the Corporation except in cases where the signing and execution thereof shall be expressly delegated by law, by the Board of Directors, or by these Bylaws to some other officer or agent of the Corporation. In general, the President shall perform all duties incident to the office of president and such other duties as the Chief Executive Officer (if the President is not the Chief Executive Officer) or the Board of Directors may from time to time prescribe.

SECTION 7. THE VICE PRESIDENT. In the absence of the President or in the event of his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Executive Vice President and then the other Vice President or Vice Presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall perform such other duties and have such other powers as the Chief Executive Officer or the Board of Directors may from time to time prescribe.

SECTION 8. THE SECRETARY. The Secretary shall perform such duties and shall have such powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe. The Secretary shall perform such duties and have such powers as are incident to the office of the secretary, including without limitation the duty and power to attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required and to maintain a stock ledger and prepare lists of stockholders and their addresses as required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision he shall be. The Secretary shall have custody of the corporate records and the corporate seal of the Corporation and the Secretary, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

SECTION 9. THE ASSISTANT SECRETARY. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Chief Executive Officer, the Board of Directors or the Secretary may from time to time prescribe. In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the chairman of the meeting shall designate a temporary secretary to keep a record of the meeting.

SECTION 10. THE TREASURER. The Treasurer shall perform such duties and shall have such powers as may from time to time be assigned by the Board of Directors or the Chief Executive Officer. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation, the duty and power to have the custody of the corporate funds and securities and to keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and deposit all moneys and

other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, as required by the Board of Directors, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors 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 11. THE ASSISTANT TREASURER. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Chief Executive Officer, the Board of Directors or the Treasurer may from time to time prescribe.

SECTION 12. OTHER OFFICERS, ASSISTANT OFFICERS AND AGENTS. Officers, Assistant Officers and Agents, if any, other than those whose duties are provided for in these Bylaws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board of Directors.

SECTION 13. ABSENCE OF OFFICERS, DELEGATION OF AUTHORITY. In the absence of any officer of the Corporation, or for any other reason the Board of Directors may deem sufficient, the Board of Directors may from time to time delegate the powers or duties, or any of such powers or duties, of any officers or officer to any other officer or to any director.

SECTION 14. COMPENSATION. The Board of Directors shall have the authority to establish reasonable salaries, compensation or reimbursement of all officers for services to the Corporation.

ARTICLE V.
CAPITAL STOCK

SECTION 1. ISSUANCE OF STOCK. Subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any shares of the authorized capital stock of the Corporation held in the Corporation’s treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such lawful consideration and on such terms as the Board of Directors may determine.

SECTION 2. CERTIFICATES OF SHARES; UNCERTIFICATED SHARES.

(a) The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock represented by certificates shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, signed in a manner that complies with Section 158 of the Delaware General Corporation Law, representing the number of shares held by such holder registered in certificate form. Any or all the signatures on the certificate may be a facsimile or pdf.

(b) Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, these Bylaws, applicable securities laws or any agreement among any number of stockholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

(c) If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of each certificate representing shares of such class or series of stock, provided that in lieu of the foregoing requirements there may be set forth on the face or back of each certificate representing shares of such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests a copy of the full text of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

(d) Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the General Corporation Law of the State of Delaware or, with respect to Section 151 of the General Corporation Law of the State of Delaware, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

SECTION 3. SIGNATURES OF FORMER OFFICER, TRANSFER AGENT OR REGISTRAR. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person or entity were such officer, transfer agent or registrar at the date of issue.

SECTION 4. TRANSFER OF SHARES. Transfers of shares of the Corporation shall be made only on the books of the Corporation, or by transfer agents designated to transfer shares of the Corporation. Subject to applicable law, shares of stock represented by certificates shall be transferred only on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or

the authenticity of signature as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws.

SECTION 5. LOST, DESTROYED OR STOLEN CERTIFICATES. Whenever a certificate representing shares of the Corporation has been lost, destroyed or stolen, the holder thereof may file in the office of the Corporation an affidavit setting forth, to the best of his knowledge and belief, the time, place, and circumstance of such loss, destruction or theft together with a statement of indemnity and posting of such bond sufficient in the opinion of the Board of Directors to indemnify the Corporation against any claim that may be made against it on account of the alleged loss of any such certificate. Thereupon the Board may cause to be issued to such person or such person's legal representative a new certificate or a duplicate of the certificate alleged to have been lost, destroyed or stolen. In the exercise of its discretion, the Board of Directors may waive the indemnification and bond requirements provided herein.

SECTION 6. REGULATIONS. The issue, transfer, conversion and registration of shares of stock of the Corporation shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI.
RESTRICTIONS ON TRANSFER AND RIGHT OF FIRST REFUSAL.

SECTION 1. TRANSFERS. If a holder of any shares of stock of the Corporation (a "Holder") proposes to, directly or indirectly, sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise (collectively "Transfer") any such shares, or any right or interest therein (including, without limitation, the entering into of any swap or other arrangement that Transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock of the Corporation, whether any such transaction described above is to be settled by delivery of common stock of the Corporation or other securities, in cash or otherwise), pursuant to a bona fide offer acceptable to such Holder, then Holder shall first give written notice of the proposed Transfer (the "Transfer Notice") to the Corporation. The Transfer Notice shall state the name of the proposed transferee, the number of shares Holder proposes to Transfer (the "Offered Shares"), whether the Offered Shares are vested or unvested shares, the price per share and all other material terms and conditions of the Transfer, including any available exemption set forth in Section 4 below from the restrictions set forth in Sections 2 and 3 below and shall include a confirmation from the Holder that the proposed transferee is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act").

SECTION 2. CONSENT TO TRANSFER. Following receipt of the Transfer Notice, the prior written consent of the Corporation (upon duly authorized action of its Board of Directors) shall be required (and such consent may be withheld) if such Transfer (a) would be to an individual, company or any other form of entity identified by the Corporation as a competitor or potential competitor; (b) increases the risk of the Corporation having a class of equity security (other than an exempted security) held of record by either (i) 2,000 or more persons, provided, however, that such restriction shall only apply after the Corporation has a class of equity security (other than an exempted security) held of record by more than 1,000 persons or (ii) 500 or more persons who are not accredited investors, as described in Section 12(g) of the Securities and Exchange Act of 1934 (the "1934 Act"), and Rule 12g5-1 promulgated thereunder, or otherwise requiring the Corporation to register any class of securities under the 1934 Act; (c) would result in the loss of any federal or state securities law exemption relied upon by the Corporation in connection with the initial issuance of such shares or the issuance of any other securities; (d) is facilitated in any manner by any public posting, message board, trading portal, internet site or similar method of communication, including without limitation any trading portal or internet site intended to facilitate secondary Transfers of securities; (e) is to be effected in a brokered transaction; (f) represents a Transfer of less than all of the shares then held by the stockholder and its affiliates or is to be made to more than a single transferee or (g) is determined by the Corporation's Board of Directors to require such consent for any legitimate corporate purpose. The provisions of subsections (a), (f) and (g) of this Section 2 shall not apply to any Transfer of Preferred Stock of the Corporation or the shares of Common Stock issued upon conversion thereof. The Corporation shall notify Holder within 30 days of receipt of the Transfer Notice indicating whether the proposed Transfer requires such consent and if so, whether such consent has been provided (a "Transfer Approval") or withheld (a "Transfer Denial" and together with "Transfer Approval", the "Transfer Determination"). For purposes of clarity, (i) if the Corporation determines no consent is required for the proposed Transfer, then this determination shall constitute a Transfer Approval and (ii) a Holder shall not be entitled to Transfer any shares if such proposed Transfer results in a Transfer Denial. Any Transfer made following a Transfer Determination that results in a Transfer Approval shall be effected pursuant to a transfer agreement in a form reasonably acceptable to the Corporation (which form shall include, without limitation, a release in favor of the Corporation and representations from the Holder and transferee that the Corporation is not a party to the transaction and has made no representations to the transferee).

SECTION 3. RIGHT OF FIRST REFUSAL.

(a) Subject to the exceptions set forth in Section 3(e) below, for 30 days following a Transfer Determination that results in a Transfer Approval, the Corporation or its assigns shall have the option to purchase all or part of the Offered Shares at the price and upon the terms set forth in the Transfer Notice (the "Right of First Refusal"). In the event the Corporation or its assigns, as applicable, elects to purchase all or part of the Offered Shares, it shall give written notice of such election to the Holder within such 30 day period. Within 10 days after Holder's receipt of such notice, Holder shall tender to the Corporation at its principal offices the certificate or certificates representing the Offered Shares to be purchased by the Corporation, duly endorsed in blank by Holder or with duly endorsed stock powers attached thereto, all in a form suitable for Transfer of the Offered Shares to the Corporation. Promptly following receipt of such certificate or certificates, the Corporation or its assigns, as applicable, shall deliver or mail to Holder a check in payment of the purchase price for such Offered Shares; provided that if the terms of payment set forth in the Transfer Notice were other than cash against delivery, the Corporation or its assigns, as applicable, may pay for the Offered Shares on the same terms and conditions as were set forth in the Transfer Notice.

(b) If the Corporation or its assigns, as applicable, does not elect to acquire any of the Offered Shares, Holder may, within the 30-day period following the expiration of the option granted to the Corporation under Section 3(a) above, Transfer the Offered Shares that the Corporation has not elected to acquire to the proposed transferee, provided that such Transfer shall not be on terms and conditions more favorable to the transferee than those contained in the Transfer Notice, such Transfer shall be only to a prospective transferee that is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act and such Transfer shall comply with the Securities Act. Notwithstanding any of the above, all Offered Shares transferred pursuant to this Section 3 shall remain subject to these Bylaws and any equity grant agreement such Offered Shares were subject to and such transferee shall, as a condition to such Transfer, deliver to the Corporation a written instrument confirming that such transferee shall be bound by all of the terms and conditions of these Bylaws and any applicable equity grant agreement.

(c) After the time at which the Offered Shares are required to be delivered to the Corporation for Transfer to the Corporation pursuant to subsection 3(a) above, the Corporation shall not pay any dividend to Holder on account of such Offered Shares or permit Holder to exercise any of the privileges or rights of a stockholder with respect to such Offered Shares, but shall, insofar as permitted by law, treat the Corporation as the owner of such Offered Shares.

(d) The Corporation may assign its Right of First Refusal in any particular transaction under this Section 3 to one or more persons or entities.

(e) The provisions of this Section 3 shall not apply to any Transfer of Preferred Stock of the Corporation or the shares of Common Stock issued upon conversion thereof.

(f) To the extent the Corporation has entered into any written agreement with the stockholder attempting to Transfer shares that grants the Corporation a right of first refusal with respect thereto ("Separate ROFR Terms"), then such Separate ROFR Terms shall supersede this Section 3 of Article VI and shall control such stockholder's proposed Transfer of shares following a Transfer Determination that results in a Transfer Approval.

SECTION 4. EXCEPTIONS.

(a) The provisions of this Article VI may be waived with respect to any Transfer upon duly authorized action of its Board of Directors (including the affirmative votes of at least a majority of the Preferred Directors (as defined in the Certificate of Incorporation) then in office).

(b) The following transactions shall be exempt from the restrictions set forth in Article VI, Section 3:

(A) any Transfer to or for the benefit of (i) any spouse, children, parents, uncles, aunts, siblings or grandchildren of the Holder or any other relatives of the Holder that have been approved by the Board of Directors (collectively, "Approved Relatives"), (ii) a trust established solely for the benefit of the Holder and/or Approved Relatives or (iii) where the Holder is a trust, (x) a trust established solely for the benefit of one or more beneficiaries of the Holder trust and/or Approved Relatives of any such beneficiaries or (y) one or more beneficiaries of the Holder trust and/or Approved Relatives of any such beneficiaries;

(B) any Transfer made as part of the sale of all or substantially all of the shares of capital stock of the Corporation (including pursuant to a merger or consolidation);

(C) any Transfer pursuant to an effective registration statement filed by the Corporation under the Securities Act;

(D) a stockholder's bona fide pledge or mortgage of any Common Stock with a commercial lending institution;

(E) a corporate stockholder's Transfer of any or all of its shares pursuant to and in accordance with the terms of any merger, consolidation, reclassification of common stock or capital reorganization of the corporate stockholder, or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder;

(F) a corporate stockholder's Transfer of any or all of its shares to any or all of its stockholders; and

(G) a Transfer of any or all of the shares held by a stockholder which is a limited or general partnership to any or all of its partners.

(c) In the case of a Transfer pursuant to Sections 4(b)(A) and (D)-(G) above, such shares shall remain subject to these Bylaws and any existing equity grant agreement and such transferee shall, as a condition to such Transfer, deliver to the Corporation a written instrument confirming that such transferee shall be bound by all of the terms and conditions of these Bylaws and any applicable equity grant agreement and there shall be no further Transfer of such shares except in accordance with these Bylaws.

SECTION 5. TERMINATION. The provisions of Article VI shall terminate upon the closing of the sale of shares of common stock in an underwritten public offering pursuant to an effective registration statement filed by the Corporation under the Securities Act.

SECTION 6. VOID TRANSFERS. The Corporation shall not be required (a) to Transfer on its books any shares which shall have been sold or otherwise transferred in violation of any of the provisions of this Article VI or (b) to treat as owner of such shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom any such shares shall have been so sold or transferred.

SECTION 7. LEGENDS. The books and records of the Corporation and any certificates representing shares of stock of the Corporation shall contain or bear the following legend so long as the foregoing Transfer restrictions are in effect:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO (i) TRANSFER RESTRICTIONS AND (ii) A RIGHT OF FIRST REFUSAL OPTION IN FAVOR OF THE CORPORATION AND/OR ITS ASSIGNEE(S), EACH AS PROVIDED IN THE BYLAWS OF THE CORPORATION.

ARTICLE VII.
INDEMNIFICATION

SECTION 1. RIGHT TO INDEMNIFICATION OF DIRECTORS AND OFFICERS. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an "Indemnified Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that such person, or a person for whom such person is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Indemnified Person in such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 3 of this Article VII, the Corporation shall be required to indemnify an Indemnified Person in connection with a Proceeding (or part thereof) commenced by such Indemnified Person only if the commencement of such Proceeding (or part thereof) by the Indemnified Person was authorized in advance by the Board of Directors.

SECTION 2. PREPAYMENT OF EXPENSES OF DIRECTORS AND OFFICERS. The Corporation shall pay the expenses (including attorneys' fees) incurred by an Indemnified Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Indemnified Person to repay all amounts advanced if it should be ultimately determined that the Indemnified Person is not entitled to be indemnified under this Article VII or otherwise.

SECTION 3. CLAIMS BY DIRECTORS AND OFFICERS. If a claim for indemnification or advancement of expenses under this Article VII is not paid in full within 30 days after a written claim therefor by the Indemnified Person has been received by the Corporation, the Indemnified Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Indemnified Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

SECTION 4. INDEMNIFICATION OF EMPLOYEES AND AGENTS. The Corporation may indemnify and advance expenses to any person who was or is made or is threatened to be made or is otherwise involved in any Proceeding by reason of the fact that such person, or a person for whom such person is the legal representative, is or was an employee or agent of the Corporation or, while an employee or agent of the Corporation, is or was serving at

the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person in connection with such Proceeding. The ultimate determination of entitlement to indemnification of persons who are non-director or officer employees or agents shall be made in such manner as is determined by the Board of Directors in its sole discretion. Notwithstanding the foregoing sentence, the Corporation shall not be required to indemnify a person in connection with a Proceeding initiated by such person if the Proceeding was not authorized in advance by the Board of Directors.

SECTION 5. ADVANCEMENT OF EXPENSES OF EMPLOYEES AND AGENTS. The Corporation may pay the expenses (including attorneys' fees) incurred by an employee or agent in defending any Proceeding in advance of its final disposition on such terms and conditions as may be determined by the Board of Directors.

SECTION 6. NON-EXCLUSIVITY OF RIGHTS. The rights conferred on any person by this Article VII shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 7. OTHER INDEMNIFICATION. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer or employee of another corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise.

SECTION 8. INSURANCE. The Board of Directors may, to the full extent permitted by applicable law as it presently exists, or may hereafter be amended from time to time, authorize an appropriate officer or officers to purchase and maintain at the Corporation's expense insurance: (a) to indemnify the Corporation for any obligation which it incurs as a result of the indemnification of directors, officers and employees under the provisions of this Article VII; and (b) to indemnify or insure directors, officers and employees against liability in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Article VII.

SECTION 9. AMENDMENT OR REPEAL. Any repeal or modification of the foregoing provisions of this Article VII shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification. The rights provided hereunder shall inure to the benefit of any Indemnified Person and such person's heirs, executors and administrators.

ARTICLE VIII.
DIVIDENDS

SECTION 1. DECLARATIONS OF 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 of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

SECTION 2. SPECIAL PURPOSES RESERVES. The Board of Directors may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

ARTICLE IX.
NOTICE BY ELECTRONIC TRANSMISSION

SECTION 1. NOTICE BY ELECTRONIC TRANSMISSION. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under the Delaware General Corporation Law, the Certificate of Incorporation, or these Bylaws may be given in writing directed to the stockholder's mailing address (or by electronic transmission directed to the stockholder's electronic mail address, as applicable) as it appears on the records of the Corporation and shall be given (1) if mailed, when the notice is deposited in the U.S. mail, postage prepaid, (2) if delivered by courier service, the earlier of when the notice is received or left at such stockholder's address or (3) if given by electronic mail, when directed to such stockholder's electronic mail address unless the stockholder has notified the Corporation in writing or by electronic transmission of an objection to receiving notice by electronic mail or such notice is prohibited by Section 3 of this Article. A notice by electronic mail must include a prominent legend that the communication is an important notice regarding the Corporation.

Without limiting the manner by which notice otherwise may be given effectively to stockholders, but subject to Section 3 of this Article, any notice to stockholders given by the Corporation under any provision of the Delaware General Corporation Law, the Certificate of Incorporation or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice or electronic transmission to the Corporation.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(a) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(b) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(c) if by any other form of electronic transmission, when directed to the stockholder.

Notwithstanding the foregoing, a notice may not be given by an electronic transmission from and after the time that (1) the Corporation is unable to deliver by such electronic transmission 2 consecutive notices given by the Corporation and (2) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice, provided, however, the inadvertent failure to discover such inability shall not invalidate any meeting or other action.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

SECTION 2. DEFINITION OF ELECTRONIC TRANSMISSION; ELECTRONIC MAIL; ELECTRONIC MAIL ADDRESS. An "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process. An "electronic mail" means an electronic transmission directed to a unique electronic mail address (which electronic mail shall be deemed to include any files attached thereto and any information hyperlinked to a website if such electronic mail includes the contact information of an officer or agent of the Corporation who is available to assist with accessing such files and information). An "electronic mail address" means a destination, commonly expressed as a string of characters, consisting of a unique user name or mailbox (commonly referred to as the "local part" of the address) and a reference to an internet domain (commonly referred to as the "domain part" of the address), whether or not displayed, to which electronic mail can be sent or delivered.

SECTION 3. INAPPLICABILITY. Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the Delaware General Corporation Law.

ARTICLE X.
GENERAL PROVISIONS

SECTION 1. FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

SECTION 2. SEAL. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware" or such other form as shall be approved by the Board of Directors. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 3. WRITTEN WAIVER OF NOTICE. A written waiver of any notice required to be given by law, the Certificate of Incorporation or by these Bylaws, signed by or electronically transmitted by the person entitled to notice, whether before, at or after the time of the event for which notice is to be given, shall be deemed equivalent to notice required to be given to such person. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of stockholders, directors or members of a committee of directors need be specified in any written waiver of notice.

SECTION 4. ATTENDANCE AS WAIVER OF NOTICE. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, and objects, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 5. WAIVER OF SECTION 1501. To the fullest extent provided by the law, the Corporation shall not be required to cause annual reports to be delivered to its stockholders under Section 1501 of the California General Corporation Law.

SECTION 6. CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 7. LOANS. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 8. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by one or more officers or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 9. DEPOSITS. The funds of the Corporation may be deposited or invested in such bank account, in such investments or with such other depositaries as determined by the Board of Directors.

SECTION 10. ANNUAL STATEMENT. The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

SECTION 11. VOTING OF SECURITIES. Except as the Board of Directors may otherwise designate, the Chief Executive Officer, the President or the Treasurer may waive notice of, vote, or appoint any person or persons to vote, on behalf of the Corporation at, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for this Corporation (with or without power of substitution) at, any meeting of stockholders or securityholders of any other entity, the securities of which may be held by this Corporation.

SECTION 12. EVIDENCE OF AUTHORITY. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

SECTION 13. CERTIFICATE OF INCORPORATION. All references in these Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and in effect from time to time.

SECTION 14. SEVERABILITY. Any determination that any provision of these Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Bylaws.

SECTION 15. PRONOUNS. All pronouns used in these Bylaws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

ARTICLE XI.
AMENDMENTS

SECTION 1. BY THE BOARD OF DIRECTORS. These Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted by the Board of Directors, when such power is conferred upon the Board of Directors by the Certificate of Incorporation.

SECTION 2. BY THE STOCKHOLDERS. These Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted, by the affirmative vote of the holders of a majority of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at any annual meeting of stockholders, or at any special meeting of stockholders, provided notice of such alteration, amendment, repeal or adoption of new Bylaws shall have been stated in the notice of such special meeting. If the power to adopt, amend or repeal Bylaws is conferred upon the Board of Directors by the Certificate of Incorporation it shall not divest or limit the power of the stockholders to adopt, amend or repeal Bylaws.

INVESTORS' RIGHTS AGREEMENT

THIS INVESTORS' RIGHTS AGREEMENT (this "**Agreement**"), is made as of December 29, 2020, by and among Terns Pharmaceuticals, Inc., a Delaware corporation (the "**Company**"), and each of the investors listed on Schedule A hereto, each of which is referred to in this Agreement as an "**Investor**" and any Additional Purchaser (as defined in the Purchase Agreement) that becomes a party to this Agreement in accordance with Section 6.9 hereof.

RECITALS

WHEREAS, the Company was initially formed in the Cayman Islands pursuant to the Cayman Islands Companies Act (2020 Revision) (the "**Companies Act**") and, prior to the date of this Agreement, duly and validly completed a domestication pursuant to the relevant provisions of the Companies Act and the Delaware General Corporation Law, pursuant to which the Company's jurisdiction of incorporation was changed to the State of Delaware (the "**Domestication**").

WHEREAS, the Company and certain of the undersigned Investors previously entered into an Amended and Restated Investors' Rights Agreement, dated as of October 19, 2018 (the "**Prior Agreement**"), which governed the rights of the Company and Investors prior to the Domestication.

WHEREAS, the Company and the Investors are parties to the Series C Preferred Stock Purchase Agreement of even date herewith (as many be amended from time to time, the "**Purchase Agreement**"); and

WHEREAS, in connection with the Domestication and in order to induce the Company to enter into the Purchase Agreement and to induce the Investors to invest funds in the Company pursuant to the Purchase Agreement, the Investors and the Company have agreed to terminate the Prior Agreement in its entirety, and hereby agree that this Agreement shall, instead of the Prior Agreement, continue to govern the rights of the Investors to cause the Company to register shares of Common Stock issuable to the Investors, to receive certain information from the Company, and to participate in future equity offerings by the Company, and shall govern certain other matters as set forth in this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

1. Definitions. For purposes of this Agreement:

1.1 "**Affiliate**" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including without limitation any general partner, managing member, limited partner, member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with (or is managed by any Person that is an Affiliate with such management company or managing or general partner of), or members or trusts for the benefit of, such Person. With respect to Suvretta, Samsara Caas, Deerfield, the LAV Funds, the Vivo Funds or the OrbiMed Funds, "Affiliate" shall also include (i) any controlling shareholder or general partner of Suvretta, Samsara, Caas, Deerfield, LAV Funds, the Vivo Funds or the OrbiMed Funds, as applicable, (ii) any entity or individual which has a direct or indirect controlling interest in such

controlling shareholder referred to in (i) above (including, any general partner or limited partner, or any fund manager thereof, if any) or any fund manager thereof; (iii) any Person that directly or indirectly controls, is controlled by, is under common control with, or is managed by Suvretta, Samsara, Caas, Deerfield, LAV Funds, the Vivo Funds or the OrbiMed Funds, or any controlling shareholder, general partner or fund manager referred to in (i) and (ii) above, (iv) a child, brother, sister, parent, or spouse of any individual referred to in (ii) above, and (v) any trust controlled by or held for the benefit of such persons referred to in (i) to (iv) above. For purposes of this Agreement, the term "control" when used with respect to any Person shall mean the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person. The terms "controlled" and "controlling" have meanings correlative to the foregoing.

1.2 "**Board**" means the board of directors of the Company.

1.3 "**Caas**" means CAAS Opportunity LLC and its Affiliate funds.

1.4 "**Certificate of Incorporation**" means the Company's Certificate of Incorporation, as amended and/or restated from time to time.

1.5 "**Common Stock**" means shares of the Company's common stock, par value $0.0001 per share.

1.6 "**Competitor**" means a Person engaged, directly or indirectly (including through any partnership, limited liability company, corporation, joint venture or similar arrangement (whether now existing or formed hereafter)), in the development of therapies for non-alcoholic steatohepatitis ("NASH") using any, including in any combination, of the following agonists or agents: Farnesoid X Receptor (FXR), Thyroid Hormone Receptor beta (THR-ß), Vascular Adhesion Protein-1 (VAP-1) or Glucagon-Line Peptide-1 Receptor (GLP-1R); but shall not include any financial investment firm or collective investment vehicle that, together with its Affiliates, holds less than ten percent (10%) of the outstanding equity of any Competitor and does not, nor do any of its Affiliates, have a right to designate any members of the board of directors of any Competitor.

1.7 "**Damages**" means any loss, damage, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an 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 indemnifying party (or any of its agents or Affiliates) 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.

1.8 "**Deerfield**" means Deerfield Partners, L.P.

1.9 "**Derivative Securities**" means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Stock, including options and warrants.

1.10 "**Equity Securities**" means, with respect to any Person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing, or any contract providing for the acquisition of any of the foregoing.

1.11 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.12 "**Excluded Registration**" means (i) a registration relating to the sale or grant of securities to employees of the Company or a Subsidiary pursuant to a stock option, stock purchase, equity incentive or similar plan; (ii) a registration for the offer of securities in a business combination of the types described in paragraphs (a)(1), (2) and (3) of SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.

1.13 "**Form S-1**" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.14 "**Form S-3**" means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC that permits forward incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.15 "**GAAP**" means generally accepted accounting principles in the United States as in effect from time to time.

1.16 "**Holder**" means any holder of Registrable Securities who is a party to this Agreement.

1.17 "**Immediate Family Member**" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, life partner or similar statutorily-recognized domestic partner, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships of a natural person referred to herein.

1.18 "**Initiating Holders**" means, collectively, Holders who properly initiate a registration request under this Agreement.

1.19 "**IPO**" means the Company's first underwritten public offering of its Common Stock under the Securities Act.

1.20 "**LAV Funds**" means, collectively, Hopewell Resources Holdings Limited, Oriental Spring Venture Limited, LAV Aqua Limited, Auspice Limited, and LAV Biosciences Fund V., L.P.

1.21 "**Lilly**" means Eli Lilly and Company and its Affiliates.

1.22 "**Major Investor**" means any Investor that, individually or together with such Investor's Affiliates, holds at least 5,000,000 shares of Registrable Securities (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof).

1.23 "**Material Adverse Effect**" shall have the meaning ascribed to it under the Purchase Agreement.

1.24 "**New Securities**" means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

1.25 "**OrbiMed Funds**" means, individually and collectively, each of OrbiMed Private Investments VII, L.P. and OrbiMed Asia Partners III, L.P.

1.26 "**Person**" means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.27 "**Preferred Directors**" has the meaning set forth in the Certificate of Incorporation.

1.28 "**Preferred Stockholder**" means any holder of Preferred Stock.

1.29 "**Preferred Stock**" means, collectively, shares of the Company's Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock.

1.30 **Intentionally Left Blank.**

1.31 "**Registrable Securities**" means (i) the Common Stock issuable or issued upon conversion of the Preferred Stock; (ii) any Common Stock, or any Common Stock issued or issuable (directly or indirectly) upon conversion and/or exercise of any other securities of the Company, acquired by the Investors after the date hereof; and (iii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clauses (i) and (ii) above; excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Section 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Section 2.13 of this Agreement.

1.32 "**Registrable Securities then outstanding**" means the number of shares determined by adding the number of shares of outstanding Common Stock that are Registrable Securities and the number of shares of Common Stock issuable (directly or indirectly) pursuant to then exercisable and/or convertible securities that are Registrable Securities.

1.33 "**Restricted Securities**" means the securities of the Company required to be notated with the legend set forth in Section 2.12(b) hereof.

1.34 "**Samsara**" means Samsara BioCapital, L.P.

1.35 "**SEC**" means the Securities and Exchange Commission.

1.36 "**SEC Rule 144**" means Rule 144 promulgated by the SEC under the Securities Act.

1.37 "**SEC Rule 145**" means Rule 145 promulgated by the SEC under the Securities Act.

1.38 "**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.39 "**Selling Expenses**" means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Section 2.6.

1.40 "**Series A Directors**" has the meaning ascribed thereto in the Certificate of Incorporation.

1.41 "**Series A Preferred Stock**" means shares of the Company's Series A Preferred Stock, par value $0.0001 per share.

1.42 "**Series B Directors**" has the meaning ascribed thereto in the Certificate of Incorporation.

1.43 "**Series B Preferred Stock**" means shares of the Company's Series B Preferred Stock, par value $0.0001 per share.

1.44 "**Series C Director**" has the meaning ascribed thereto in the Certificate of Incorporation.

1.45 "**Series C Preferred Stock**" means shares of the Company's Series C Preferred Stock, par value $0.0001 per share.

1.46 "**Subsidiary**" means, with respect to any given Person, any other Person that is controlled directly or indirectly by such given Person.

1.47 "**Suvretta**" means Averill Master Fund, Ltd.

1.48 "**Vivo Funds**" means Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) five years after the date of this Agreement or (ii) 180 days after the effective date of the registration statement for the IPO, the Company receives a request from Holders of twenty percent (20%) or more of the Registrable Securities then outstanding that the Company file a Form S-1 registration statement with respect to at least forty percent (40%) of the Registrable Securities then outstanding (or a lesser percent if the anticipated aggregate offering price, net of Selling Expenses, would exceed $25 million), then the Company shall: (x) within ten (10) days after the date such request is given, give notice thereof (the "**Demand Notice**") to all Holders other than the Initiating Holders; and (y) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders (with such period being automatically extended as necessary to obtain all required approvals from any governmental entities under any applicable laws), file a Form S-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Sections 2.1(c) and 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from Holders of at least ten percent (10%) of the Registrable Securities then outstanding that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price, net of Selling Expenses, of at least $1 million, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within forty-five (45) days after the date such request is given by the Initiating Holders, file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Sections 2.1(c) and 2.3.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration pursuant to this Section 2.1 a certificate signed by the Company's chief executive officer stating that in the good faith judgment of the Board of Directors it would be materially detrimental to the Company and its stockholders for such registration statement to

either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer taking action with respect to such filing, and any time periods with respect to filing or effectiveness thereof shall be tolled correspondingly, for a period of not more than ninety (90) days after the request of the Initiating Holders is given; provided, however, that the Company may not invoke this right more than once in any twelve (12) month period; and provided further that the Company shall not register any securities for its own account or that of any other stockholder during such 90 day period other than an Excluded Registration.

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(a), (i) during the period that is sixty (60) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective and the Company gives notice to the Initiating Holders of such effort, and provided further that if the Company does not effect such registration statement, the Company shall effect the registration pursuant to Section 2.1(a) on the sixty-first (61st) day after its notice to the Initiating Holder describing the delay in this subsection (i); (ii) after the Company has effected two (2) registrations pursuant to Section 2.1(a); 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 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(b), (x) during the period that is thirty (30) days before the Company's good faith estimate of the date of filing of, and ending on a date that is ninety (90) days after the effective date of, a Company-initiated registration, provided that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective and the Company gives notice to the Initiating Holders of such effort, and provided further that if the Company does not effect such registration statement, the Company shall effect the registration pursuant to Section 2.1(b) on the thirty-first (31st) day after its notice to the Initiating Holder describing the delay in this subsection (x); or (y) if the Company has effected two (2) registrations pursuant to Section 2.1(b) within the twelve (12) month period immediately preceding the date of such request. A registration shall not be counted as "effected" for purposes of this Section 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one demand registration statement pursuant to Section 2.6, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Section 2.1(d); provided, that if such withdrawal is during a period the Company has deferred taking action pursuant to Section 2.1(c), then the Initiating Holders may withdraw their request for registration and such registration will not be counted as "effected" for purposes of this Section 2.1(d).

2.2 Company Registration. If the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its Common Stock under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Section 2.3, use its best efforts to cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Section 2.6.

2.3 Underwriting Requirements.

(a) If, pursuant to Section 2.1, 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 made pursuant to Section 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders. 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 to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 2.4(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting; provided, however, that no Holder (or any of their assignees) shall be required to make any representations, warranties or indemnities except as they relate to such Holder's ownership of shares and authority to enter into the underwriting agreement and to such Holder's intended method of distribution, and the liability of such Holder shall be several and not joint, and limited to an amount equal to the net proceeds from the offering received by such Holder. Notwithstanding any other provision of this Section 2.3, if the managing underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest one hundred (100) shares.

(b) In connection with any offering involving an underwriting of shares of the Company's capital stock pursuant to Section 2.2, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities,

requested by stockholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine 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 and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable to) the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest one hundred (100) shares. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) are first entirely excluded from the offering, or (ii) the number of Registrable Securities included in the offering be reduced below thirty percent (30%) of the total number of securities included in such offering, unless such offering is the IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above and no other stockholder's securities are included in such offering. For purposes of the provision in this Section 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, stockholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

(c) For purposes of Section 2.1, a registration shall not be counted as "effected" if, as a result of an exercise of the underwriter's cutback provisions in Section 2.3(a), fewer than fifty percent (50%) of the total number of Registrable Securities that Holders have requested to be included in such registration statement are actually included.

2.4 Obligations of the Company. Whenever required under this Section 2 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 its 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 a period of up to 120 days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of any registration of Registrable Securities on Form S-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, such 120 day period shall be extended for up to sixty (60) days, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(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 Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its 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 selling Holders; provided that the Company shall not be required 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 subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) 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 underwriter(s) of such offering;

(f) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(i) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(j) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

In addition, the Company shall ensure that, at all times after any registration statement covering a public offering of securities of the Company under the Securities Act shall have become effective, its insider trading policy shall provide that the Company's directors may implement a trading program under Rule 10b5-1 of the Exchange Act.

2.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 Expenses of Registration. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements, not to exceed $50,000, of one counsel for the selling Holders ("**Selling Holder Counsel**"), shall be borne and paid 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 2.1 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 selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Sections 2.1(a) or 2.1(b), as the case may be; provided further that if, at the time of such withdrawal, the Holders shall have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness after learning of such information then the Holders shall not be required to pay any of such expenses and shall not forfeit their right to one registration pursuant to Sections 2.1(a) or 2.1(b). All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and stockholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act) for each 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 Damages,

and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and 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, legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration and has not been corrected in a subsequent writing prior to or concurrently with the sale of Registrable Securities to the Person asserting the claim; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Section 2.8(b) and 2.8(d) exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the 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 action. The failure to give notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, to the extent that such failure materially prejudices the indemnifying party's ability to defend such action. The failure to give 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 2.8.

(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either: (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. 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 allegedly untrue statement of a material fact, or the omission or alleged omission of 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; provided, however, that, in any such case (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Section 2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud 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) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Section 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement or any provision(s) of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 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 shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;

(b) use commercially reasonable efforts to 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 (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144, of the Securities Act and of the Exchange Act (at any time after the Company 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 the Company 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, reports and documents as of Holder may reasonably request in connection with availing itself of any rule or regulation of any applicable Regulatory Authority allowing it to sell any such securities without registration.

2.10 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 the majority of Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that would (i) allow such holder or prospective holder to include such securities in any registration unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the number of the Registrable Securities of the Holders that are included; or (ii) allow such holder or prospective holder to initiate a demand for registration of any securities held by such holder or prospective holder; provided that this limitation shall not apply to Registrable Securities acquired by any additional Investor that becomes a party to this Agreement in accordance with Section 6.9.

2.11 "Market Stand-off" Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the registration by the Company of shares of its Common Stock under the Securities Act on a registration statement on Form S-1, and ending on the date specified by the Company and the managing underwriter (such period not to exceed 180 days in the case of the IPO, or such other period as may be requested by the Company or an underwriter (the "**Lock-Up Period**") to accommodate regulatory restrictions on (1) the publication or other distribution of research reports, and (2) analyst recommendations and opinions, including, but not limited to, the restrictions contained in applicable FINRA rules, or any successor provisions or amendments thereto), (i) lend; 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; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock held immediately before the effective date of the registration statement for such offering or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the

economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 2.11 shall only apply to the IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement or to the establishment of a trading plan pursuant to Rule 10b5-1, provided such plan does not permit transfers during the restricted period, or the transfer of any shares to any trust for the direct or indirect benefit of the Holder or the immediate family of the Holder, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, and shall be applicable to the Holders only if all officers and directors are subject to the same restrictions and the Company uses commercially reasonable efforts to obtain a similar agreement from all stockholders individually owning more than one percent (1%) of the Company's outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding Preferred Stock. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 2.11 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 2.11 or that are necessary to give further effect thereto. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all Company stockholders that are subject to such agreements, based on the number of shares subject to such agreements. At the time of the expiration of the Lock-Up Period, the Company shall use commercially reasonable efforts to cause to be prepared and delivered to the Company's transfer agent a legal opinion of the Company's counsel regarding the termination of the Lock-Up Period and instructions to the Company's transfer agent to remove any restrictive legends applicable to the Registrable Securities of any Holder that is not an Affiliate of the Company and is entitled to sell all of Registrable Securities then held by such Holder pursuant to Rule 144 without any holding period, volume limits or other limitations under Rule 144 (provided that such Holder has provided any representations and certifications reasonably requested by the Company or the Company's transfer agent or counsel to verify satisfaction with any of the conditions of Rule 144), which opinion shall be delivered to the transfer agent.

2.12 Restrictions on Transfer.

(a) The Preferred Stock and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Preferred Stock and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement. Notwithstanding the foregoing, the Company shall not require any transferee of shares pursuant to an effective registration statement or, following the IPO, SEC Rule 144, in each case, to be bound by the terms of this Agreement.

(b) Each certificate, instrument, or book entry representing (i) the Preferred Stock, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Section 2.12(c)) be notated with a legend substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Section 2.12.

(c) The holder of such Restricted Securities, by acceptance of ownership thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction or following the IPO, the transfer is made pursuant to SEC Rule 144, the Holder thereof shall give notice to the Company of such Holder's intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder's expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a notice, legal opinion or "no action" letter (x) in any transaction in compliance with SEC Rule 144; or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder for no consideration; provided that each transferee agrees in writing to be subject to the terms of this Section 2.12. Each certificate, instrument, or book entry representing the Restricted Securities transferred as above provided shall be notated with, except if such transfer is made pursuant to SEC Rule 144, the appropriate restrictive legend set forth in Section 2.12(b), except that such certificate instrument, or book entry shall not be notated with such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Sections 2.1 or 2.2 shall terminate upon the earliest to occur of:

(a) the closing of a Deemed Liquidation Event, as such term is defined in the Certificate of Incorporation (a "**Deemed Liquidation Event**"), in which the consideration received by the Investors in such Deemed Liquidation Event is in the form of cash and/or publicly traded securities, or if the Investors receive registration rights from the acquiring company or other successor to the Company reasonably comparable to those set forth in this Section 2;

(b) such time after consummation of the IPO as SEC Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares without limitation, during a three (3)-month period without registration; and

(c) the fifth anniversary of the IPO.

3. Information and Observer Rights.

3.1 Delivery of Financial Statements. The Company shall deliver to each Major Investor, provided that the Board of Directors has not reasonably determined that such Major Investor is a Competitor of the Company:

(a) as soon as practicable, but in any event within 90 days after the end of each fiscal year of the Company (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and a comparison between (x) the actual amounts as of and for such fiscal year and (y) the comparable amounts for the prior year and as included in the Budget (as defined in Section 3.1(e)) for such year, with an explanation of any material differences between such amounts and a schedule as to the sources and applications of funds for such year, and (iii) a statement of stockholders' equity as of the end of such year, all such financial statements audited and certified by independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within 45 days after the end of each quarter of each fiscal year of the Company, unaudited statements of income and cash flows for such fiscal quarter, and an unaudited balance sheet and a statement of stockholders' equity as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments; and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(c) as soon as practicable, but in any event within thirty (30) days after the end of each month, unaudited statements of income and of cash flows for such month, and an unaudited balance sheet and a statement of shareholders' equity as of the end of such month, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(d) as soon as practicable, but in any event within 45 days after the end of each quarter of each fiscal year of the Company and upon request, a statement showing the number of

shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the Major Investors to calculate their respective percentage equity ownership in the Company;

(e) as soon as practicable, but in any event 45 days before the end of each fiscal year, a budget and business plan for the next fiscal year (collectively, the "**Budget**") approved by the Board and prepared on a monthly basis, including balance sheets, income statements and statements of cash flows for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company;

(f) with respect to the financial statements called for in Section 3.1(a), Section 3.1(b) and Section 3.1(c), an instrument executed by the chief financial officer and chief executive officer of the Company certifying that such financial statements were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (except as otherwise set forth in Section 3.1(b) and Section 3.1(c)) and fairly present the financial condition of the Company and its results of operation for the periods specified therein; and

(g) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Major Investor may from time to time reasonably request; provided, however, that the Company shall not be obligated under this Section 3.1 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 acceptable to the Company); or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date 30 days before the Company's good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company's covenants under this Section 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit each Major Investor (provided that the Board of has not reasonably determined that such Major Investor is a Competitor of the Company), at such Major Investor's expense and upon reasonable advance notice from such Major Investor, to visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Major Investor; provided, however,

that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Reserved.

3.4 Termination of Information. The covenants set forth in Section 3.1 and Section 3.2 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon the closing of a Deemed Liquidation Event, whichever event occurs first; provided, that, with respect to clause (iii), the covenants set forth in Section 3.1 shall only terminate if the consideration received by the Investors in such Deemed Liquidation Event is in the form of cash and/or publicly traded securities or if the Investors receive financial information from the acquiring company or other successor to the Company comparable to those set forth in Section 3.1.

3.5 Confidentiality. Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor or make decisions with respect to 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 Section 3.5 by such Investor),(b) is or has been independently developed or conceived by such Investor without use of the Company's confidential information as shown by such Investor's written records, or (c) is or has been made known or disclosed to such 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 attorneys, accountants, consultants, and other professionals to the extent reasonably necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Section 3.5 and is not a Competitor of the Company; (iii) to any Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information and provided further that such Investor shall not disclose confidential information to any of its other operating portfolio companies; or (iv) as may otherwise be required by law, regulation, rule, court order or subpoena, provided that such Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure. The Company acknowledges that each of Suvretta, Samsara, Caas, OrbiMed Funds, LAV Funds, Deerfield, Lilly and their respective representatives currently may be invested in, may invest in or may consider investments in public and private companies some of which may compete either directly or indirectly with the Company, and that the execution of this Agreement, the terms hereof and the access to confidential information hereunder shall in no way be construed to prohibit or restrict any of Suvretta, Samsara, Caas, OrbiMed Funds, LAV Funds, Deerfield, Lilly or their respective representatives from maintaining, making or considering such investments or from otherwise operating in the ordinary

course of business. Further, the Company understands and acknowledges that the confidential information may be used by Suvretta, Samsara, Caas, the OrbiMed Funds, LAV Funds, Deerfield, Lilly or their respective representatives in connection with evaluating investment opportunities, trading securities in the public markets and participating in private investment transactions, but specifically excluding disclosing or otherwise providing confidential information (or any derivatives, extracts or summaries thereof) to anyone other than Suvretta, Samsara, Caas, the OrbiMed Funds, LAV Funds, Deerfield, Lilly or their respective representatives in violation of this Agreement. Notwithstanding the foregoing, any confidential information obtained by Lilly pursuant to any license, collaboration, services, facilities license or other similar agreement between the Company and Lilly, whether existing now or in the future (each, a "**Commercial Agreement**"), will be subject to the confidentiality obligations set forth in such agreement, which confidentiality obligations supersede the provisions of this Section 3.5 in its entirety as it only pertains to the subject matter of such Commercial Agreement or any confidential information obtained by Lilly pursuant to such Commercial Agreement.

3.6 Waiver of Statutory Information Rights. Each Investor hereby acknowledges and agrees that until the consummation of the IPO, such Investor shall hereby be deemed to have unconditionally and irrevocably, to the fullest extent permitted by law, on behalf of such Investor and all beneficial owners of the shares of Common Stock or Preferred Stock owned by such Investor (a "**Beneficial Owner**"), waived any rights such Investor or a Beneficial Owner might otherwise have had under Section 220 of the Delaware General Corporation Law (or under similar rights under other applicable law) to inspect for any proper purpose and to make copies and extracts from the Company's stock ledger, a list of its stockholders and its other books and records or the books and records of any Subsidiary. This waiver applies only in such Investor's capacity as a stockholder and does not affect any other information and inspection rights such Investor may expressly have pursuant to Sections 3.1 and 3.2 of this Agreement. Each Investor hereby further warrants and represents that such Investor has reviewed this waiver with its legal counsel, and that such Investor knowingly and voluntarily waives its rights otherwise provided by Section 220 of the Delaware General Corporation Law (or under similar rights under other applicable law).

4. Rights to Future Stock Issuances.

4.1 Right of First Offer. Subject to the terms and conditions of this Section 4.1 and applicable securities laws, if the Company or any of its Subsidiaries proposes to offer or sell any New Securities, the Company shall first offer such New Securities to each Major Investor (provided that the Board has not reasonably determined that such Major Investor is a Competitor of the Company). A Major Investor shall be entitled to apportion the right of first offer hereby granted to it in such proportions as it deems appropriate, among (i) itself, (ii) its Affiliates and (iii) its beneficial interest holders, such as limited partners, members or any other Person having "beneficial ownership," as such term is defined in Rule 13d-3 promulgated under the Exchange Act, of such Major Investor ("**Investor Beneficial Owners**"); provided that each such Affiliate or Investor Beneficial Owner (a) is not a Competitor of the Company, unless such party's purchase of New Securities is otherwise consented to by the Board, (b) is an "accredited investor" (as defined in Rule 501(a) under the Securities Act), (c) agrees to enter into this Agreement and each of the Voting Agreement and Right of First Refusal and Co-Sale Agreement of even date herewith among the Company, the Investors and the other parties named therein, as an "**Investor**" under each such agreement (provided that any Competitor of the Company shall not be entitled to any rights as a Major Investor under Sections 3.1, 3.2 and 4.1 hereof), and (d) agrees to purchase at least such number of New Securities as are allocable hereunder to the Major Investor holding the fewest number of Preferred Stock and any other Derivative Securities.

(a) The Company shall give notice (the "**Offer Notice**") to each Major Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within twenty (20) days after the Offer Notice is given, each Major Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the Common Stock then held by such Major Investor (including all shares of Common Stock then issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held by such Major Investor and its Affiliates) bears to the total Common Stock of the Company then outstanding (assuming the full conversion, and/or exercise, as applicable, of all securities convertible or exercisable into Common Stock). At the expiration of such 20 day period, the Company shall promptly notify each Major Investor that elects to purchase or acquire all the shares available to it (each, a "**Fully Exercising Investor**") of any other Major Investor's failure to do likewise. During the ten (10) day period commencing after the Company has given such notice, each Fully Exercising Investor may, by giving notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which Major Investors were entitled to subscribe but that were not subscribed for by the Major Investors which is equal to the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by such Fully Exercising Investor bears to the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by all Fully Exercising Investors who wish to purchase such unsubscribed shares. The closing of any sale pursuant to this Section 4.1(b) shall occur within the later of ninety (90) days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Section 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Section 4.1(b), the Company may, during the ninety (90) day period following the expiration of the periods provided in Section 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities 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 Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Major Investors in accordance with this Section 4.1.

(d) The right of first offer in this Section 4.1 shall not be applicable to (i) Exempted Securities (as defined in the Certificate of Incorporation); (ii) shares of Common Stock issued in the IPO; and (iii) the issuance of shares of Preferred Stock to Additional Purchasers (as defined in the Purchase Agreement) pursuant to and subject to the limitations contained in, the Purchase Agreement.

(e) Notwithstanding any provision hereof to the contrary, in lieu of complying with the provisions of this Section 4.1, the Company may elect to give notice to the Major Investors within 30 days after the issuance of New Securities. Such notice shall describe the type, price, and terms of the New Securities. Each Major Investor shall have twenty (20) days from the date notice is given to elect to purchase up to the number of New Securities that would, if purchased by such Major Investor, maintain such Major Investor's percentage-ownership position, calculated as set forth in Section 4.1(b) before giving effect to the issuance of such New Securities.

(f) In the event of any waiver of this Section 4.1 with respect to an issuance of New Securities and the subsequent purchase by any Major Investor (a "**Participating ROFR Investor**") of any portion of such New Securities, then each other Major Investor shall have the right to purchase a portion of the New Securities equal to the product obtained by (A) the maximum number of shares of New Securities such Major Investor is entitled to purchase pursuant Section 4.1(b) (assuming for such purpose, that each other Major Investor is a Fully Exercising Investor) by (B) the quotient obtained by (x) the number of shares actually purchased by the Participating ROFR Investor in such issuance of New Securities divided by (y) the maximum number of shares of New Securities that such Participating ROFR Investor is entitled to purchase pursuant Section 4.1(b) (assuming for such purpose, that each other Major Investor is a Fully Exercising Investor); provided, for clarity, that if there is more than one Participating ROFR Investor, then the larger fraction obtained pursuant to (B) above shall apply.

4.2 Termination. The covenants set forth in Section 4.1 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, or (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon the closing of a Deemed Liquidation Event in which the consideration received by the Investors in such Deemed Liquidation Event is in the form of cash and/or publicly traded securities, or if the Investors receive participation rights from the acquiring company or other successor to the Company reasonably comparable to those set forth in this Section 4 whichever event occurs first.

5. Additional Covenants.

5.1 Employee Agreements. Unless otherwise approved by the Board the Company will cause 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, non-solicitation and proprietary rights assignment agreement, substantially in a form approved by the Board. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted stock agreement between the Company and any employee, without the consent of the Board including the Preferred Directors.

5.2 Employee Stock. Unless otherwise approved by the Board, all employees of the Company (or any Subsidiary) 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 2.11. Without the prior approval of the Board, including at least two Preferred Directors, the Company shall not amend, modify, terminate, waive or otherwise alter, in whole or in part, any stock purchase, stock restriction or option agreement with any existing employee or service provider if such amendment would cause it to be inconsistent with this Section 5.2. In addition, unless otherwise approved by the Board, including the Preferred Directors, the Company (x) shall not offer or allow any acceleration of vesting, and (y) shall retain (and not waive) a "right of first refusal" on employee transfers until the Company's IPO and shall have the right to repurchase unvested shares at cost upon termination of employment of a holder of restricted stock.

5.3 Board Meetings. Unless otherwise determined by the vote of a majority of the directors then in office, the Board shall meet at least quarterly in accordance with an agreed-upon schedule. The Company shall reimburse the nonemployee directors and Board observers for all reasonable out-of-pocket travel expenses incurred (consistent with the Company's travel policy) in connection with attending meetings of the Board. In each case in accordance with the bylaws of the Company, unless otherwise determined by the vote of a majority of the directors then in office, if a quorum shall not be present at any meeting of the Board pursuant to the relevant provisions in the Certificate of Incorporation, the directors present thereat may adjourn the meeting, until a quorum shall be present, provided that, if notice of the board meeting has been duly delivered to all directors of the Board prior to the scheduled meeting in accordance with the notice procedures hereunder, and the quorum is not present within one half hour from the time appointed for the meeting, the meeting shall be adjourned to the third following Business Day at the same time and place (or to such other time or such other place as the directors may determine) with notice delivered to all directors in accordance with the notice procedures hereunder

5.4 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person 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, the Certificate of Incorporation, or elsewhere, as the case may be.

5.5 Insurance. The Company shall use commercially reasonable efforts to obtain, as promptly as practicable following the date hereof, from financially sound and reputable insurers Directors and Officers liability insurance, in an amount of at least $3 million and on terms and conditions satisfactory to the Board, including the Preferred Directors, and will use commercially reasonable efforts to cause such insurance policies to be maintained until such time as the Board, including the Preferred Directors, determines that such insurance should be discontinued. Such policy shall not be cancelable by the Company without prior approval by the Board, including the Preferred Directors. Notwithstanding any other provision of this Section 5.5 to the contrary, for so long as a Preferred Director is serving on the Board of Directors, the Company shall not cease to maintain a Directors and Officers liability insurance policy in an amount of at least $3 million unless approved by such Preferred Director, and shall, at the request of the Investor, promptly deliver to the Investors a certification that such a Directors and Officers liability insurance policy remains in effect.

5.6 Indemnification Matters. The Company hereby acknowledges that one (1) or more of the Preferred Directors nominated to serve on the Board of Directors by one (1) or more Investors may have certain rights to indemnification, advancement of expenses and/or insurance provided by one (1) or more of the Investors and certain of their Affiliates (collectively, the "**Investor Indemnitors**"). The Company hereby agrees (a) that it is the indemnitor of first resort (*i.e.*, its obligations to any such Preferred Director are primary and any obligation of the Investor Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Preferred Director are secondary), (b) that it shall be required to advance the full amount of expenses incurred by such Preferred Director and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement by or on behalf of any such Preferred Director to the extent legally permitted and as required by the Certificate of Incorporation or Bylaws of the Company (or any agreement between the Company and such Preferred Director), without regard to any rights such Preferred Director may have against the Investor Indemnitors, and, (c) that it irrevocably waives, relinquishes and releases the Investor Indemnitors from any and all claims against the Investor Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Investor Indemnitors on behalf of any such Preferred Director with respect to any claim for which such Preferred Director has sought indemnification from the Company shall affect the foregoing and the Investor Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Preferred Director against the Company. The Preferred Directors and the Investor Indemnitors are intended third-party beneficiaries of this Section 5.6 and shall have the right, power and authority to enforce the provisions of this Section 5.6 as though they were a party to this Agreement.

5.7 Right to Conduct Activities. The Company hereby agrees and acknowledges that each of Suvretta, Samsara Caas, the OrbiMed Funds, LAV Funds, Lilly and Deerfield (together with their respective Affiliates) is a professional investment organization or otherwise engages in investment activities in the ordinary course of business, and as such reviews the business plans and related proprietary information of many enterprises, some of which may compete directly or indirectly with the Company's business (as currently conducted or as currently propose to be conducted). Nothing in this Agreement shall preclude or in any way restrict the Investors from evaluating or purchasing securities, including publicly traded securities, of a particular enterprise, or investing or participating in any particular enterprise whether or not such enterprise has products or services which compete with those of the Company; and the Company hereby agrees that, to the extent permitted under applicable law, none of Suvretta, Samsara, Caas, the OrbiMed Funds, LAV Funds, Lilly, Deerfield (and their respective Affiliates) shall be liable to the Company for any claim arising out of, or based upon, (i) the investment by Suvretta, Samsara, Caas, the OrbiMed Funds, LAV Funds, Lilly, Deerfield (or their respective Affiliates) in any entity competitive with the Company, or (ii) actions taken by any partner, officer, employee or other representative of Suvretta, Samsara, Caas, the OrbiMed Funds, LAV Funds, Lilly, Deerfield (or their respective Affiliates) to assist any such competitive company, whether or not such action was taken as a member of the board of directors of such competitive company or otherwise, and whether or not such action has a detrimental effect on the Company; provided, however, that the foregoing shall not relieve (x) any of the Investors from liability associated with the unauthorized disclosure of the Company's confidential information obtained pursuant to this Agreement, or (y) any director or officer of the Company from any liability associated with his or her fiduciary duties to the Company.

5.8 FCPA. The Company covenants that it shall not (and shall not permit any of its subsidiaries or Affiliates or any of its or their respective directors, officers, managers, employees, independent contractors, representatives or agents to) promise, authorize or make any payment, or otherwise contribute any item of value, directly or indirectly, to any third party, including any Non-U.S. Official (as such term is defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "**FCPA**")), in each case, in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further covenants that it shall (and shall cause each of its subsidiaries and Affiliates to) cease all of its or their respective activities, as well as remediate any actions taken by the Company, its subsidiaries or Affiliates, or any of their respective directors, officers, managers, employees, independent contractors, representatives or agents in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further covenants that it shall (and shall cause each of its subsidiaries and Affiliates to) maintain systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure material compliance with the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. Upon request, the Company agrees to provide responsive information and/or certifications concerning its compliance with applicable anti-corruption laws. The Company shall promptly notify each Investor if the Company becomes aware of any Enforcement Action (as defined in the Purchase Agreement). The Company shall, and shall cause any direct or indirect Subsidiary or entity controlled by it, whether now in existence or formed in the future, to comply with the FCPA. The Company shall use its best efforts to cause any direct or indirect Subsidiary, whether now in existence or formed in the future, to comply in all material respects with all applicable laws.

5.9 Cybersecurity. The Company shall, within one hundred eighty (180) days following the date hereof, use commercially reasonable efforts to (a) identify and restrict access (including through physical and/or technical controls) to the Company's confidential business information and trade secrets and any information about identified or identifiable natural persons maintained by or on behalf of the Company (collectively, "**Protected Data**") to those individuals who have a need to access it and (b) implement reasonable physical, technical and administrative safeguards ("**Cybersecurity Solutions**") designed to protect the confidentiality, integrity and availability of its technology and systems (including servers, laptops, desktops, cloud, containers, virtual environments and data centers) and all Protected Data. The Company shall evaluate on a periodic basis at least annually whether such safeguards should be updated to maintain a level of security appropriate to the risk posed to Company systems and Protected Data. The Company shall educate its employees about the proper use and storage of Protected Data, including periodic training as determined reasonably necessary by the Company or the Board.

5.10 Matters Requiring Investor Director Approval. The Company hereby covenants and agrees with each of the Investors that it shall not, and shall cause each of its Subsidiaries not to, take any of the following actions without approval of the Board of Directors, which approval must include the affirmative vote of at least two of the Preferred Directors:

(a) issue any securities, or grant any right to acquire securities, in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships or any other business transaction;

(b) purchase or redeem any shares in the share capital of the Company from the Company's employees, directors, officers, consultants and other service providers, other than repurchases of shares held by any former employees, directors, officers, consultants and other service providers, in connection with the cessation of such employment or service, at the lower of the original purchase price or the then-current fair market value thereof;

(c) incur any expenditure or indebtedness, outside of the Company's annual budget as approved by the Board, in excess of US$5,000,000 or other equivalent currency;

(d) make any loan, advance or other form of lending to any person outside of the Company's annual budget as approved by the Board, except for advances and similar expenditures in the ordinary course of business that do not exceed US$500,000 in the aggregate;

(e) enter into or be a party to or otherwise engage in any transaction with any director, officer, or employee of the Company or any of its Subsidiaries, or Lilly or any of its Affiliates, except for transactions contemplated by this Agreement, the Purchase Agreement and other Transaction Documents, and transactions relating to the employment or other service relationship of such director, officer or employee with the Company or its Subsidiaries (except as otherwise set forth in the immediately following subclause (e));

(f) hire, terminate, or change the compensation of the executive officers, including approving any option grants or stock awards to executive officers;

(g) establish or acquire any subsidiary or branch office;

(h) appoint or change the auditor of the Company; or

(i) initiate an initial public offering of the shares of capital stock or other equity interests of the Company or any of its Subsidiaries on any securities exchange of any jurisdiction.

5.11 Termination of Covenants. The covenants set forth in this Section 5, except for Section 5.4 and 5.6, shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, whichever event occurs first.

6. Miscellaneous.

6.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate of a Holder; (ii) is a Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; or (iii) after such transfer, holds at least 5,000,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations, and other recapitalization); provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Section 2.11. For the purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate or stockholder of a Holder; (2) who is a Holder's Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided further that all transferees who would not qualify individually for assignment of rights shall, as a condition to the applicable transfer, establish a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2 Governing Law. This Agreement and any controversy arising out of or relating to this Agreement shall be governed by the and construed in accordance with the General Corporation Law of the State of Delaware without regard to conflict of law principles that would result in the application of any law other than the law of the State of Delaware.

6.3 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, *e.g.*, www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5 Notices; Electronic Notice.

(a) All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or (i) personal delivery to the party to be notified; (ii) when sent, if sent by electronic mail during the recipient's normal business hours, and if not sent during normal business hours, then on the recipient's next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their addresses as set forth on Schedule A hereto, or (as to the Company) to

the principal office of the Company and to the attention of the Chief Executive Officer, or in any case to such email address, or address as subsequently modified by written notice given in accordance with this Section 6.5. If notice is given to the Company, a copy (which copy shall not constitute notice) shall also be sent to Latham & Watkins LLP, 140 Scott Drive, Menlo Park, California 94025 attn: Brian J. Cuneo, Esq. (brian.cuneo@lw.com).

(b) Each Investor acknowledges that the company may deliver any stockholder notice pursuant to the Delaware General Corporation Law (the "**DGCL**"), as amended or superseded from time to time, by electronic transmission pursuant to Section 232 of the DGCL (or any successor thereto) at the electronic mail address or the facsimile number set forth below such Investor's name on the Schedules hereto, as updated from time to time by notice to the Company, or as on the books of the Company, unless the Investor notifies the Company in writing or by electronic of an objection to receiving notice by electronic mail. Each Investor agrees to promptly notify the Company of any change in its electronic mail address, and that failure to do so shall not affect the foregoing.

6.6 Amendments and Waivers. Any term of this Agreement may be amended, modified or terminated and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and the holders of at least a majority of the shares of Common Stock issued or issuable upon the conversion of the shares of Preferred Stock held by the Investors (voting together as a single class on an as-converted basis); provided that the Company may in its sole discretion waive compliance with Section 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Section 2.12(c) shall be deemed to be a waiver); and provided further that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, (a) this Agreement may not be amended, modified or terminated and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, modification, termination, or waiver applies to all Investors in the same fashion (it being agreed that a waiver of the provisions of Section 4 with respect to a particular transaction shall be deemed to apply to all Investors in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Investors may nonetheless, by agreement with the Company, purchase securities in such transaction), (b) Sections 3.1 and 3.2, Section 4 and any other section of this Agreement applicable to the Major Investors (including this clause (b) of this Section 6.6) may be amended, modified, terminated or waived with only the written consent of the Company and the holders of at least a majority of the Registrable Securities then outstanding and held by the Major Investors, and (c) any amendment, waiver, discharge or termination of Section 2.11 which expands the scope of such provision or is otherwise more restrictive of a Holder's ability to lend, offer, pledge, transfer or otherwise sell shares of Company's Common Stock, shall require the prior written consent of Deerfield, Lilly, the OrbiMed Funds and the LAV Funds. Notwithstanding the foregoing, Schedule A hereto may be amended by the Company from time to time to add transferees of any Registrable Securities in compliance with the terms of this Agreement without the consent of the other parties; and Schedule A hereto may also be amended by the Company after the date of this Agreement without the consent of the other parties to add information regarding any additional Investor who becomes a party to this Agreement in accordance with Section 6.9. The Company shall give prompt notice of any amendment, modification or termination hereof or waiver hereunder to any party hereto that did not consent in

writing to such amendment, modification, termination, or waiver. Any amendment, modification, termination, or waiver effected in accordance with this Section 6.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.8 Aggregation of Stock; Apportionment. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated Persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of Preferred Stock after the date hereof, any purchaser of such shares of Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an "Investor" for all purposes hereunder. No action or consent by the Investors shall be required for such joinder to this Agreement by such additional Investor, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an "Investor" hereunder.

6.10 Entire Agreement. This Agreement (including any Schedules hereto), constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled.

6.11 Dispute Resolution. The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the state courts of Delaware and to the jurisdiction of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the state courts of Delaware or the United States District Court for the District of Delaware, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

WAIVER OF JURY TRIAL: EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, THE SECURITIES OR THE SUBJECT MATTER HEREOF OR THEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE

FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

6.12 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or non-defaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

COMPANY:

TERNS PHARMACEUTICALS, INC.

By: /s/ Senthil Sundaram
Name: Senthil Sundaram
Chief Executive Officer

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

DEERFIELD PARTNERS, L.P.

By: Deerfield Mgmt, L.P., General Partner
By; J.E. Flynn Capital, LLC, General Partner

By: /s/ David J. Clark
Name: David J. Clark
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

Antara Capital Master Fund LP
By: Antara Capital LP
its Investment Advisor

By: /s/ Himanshu Gulati
Name: Himanshu Gulati
Title: CIO & Managing Member

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

ELI LILLY AND COMPANY

By: /s/ Philip Johnson
Name: Philip Johnson
Title: Sr. Vice President – Treasurer – CFIB

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

SAMSARA BIOCAPITAL, L.P.

By: Samsara BioCapital GP, LLC,
General Partner

By: /s/ Srinivas Akkaraju
Name: Srinivas Akkaraju, MD, PhD
Title: Managing Member

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

Averill Master Fund, Ltd

By: /s/ Glenn Shepard
Name: Glenn Shepard
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

CAAS OPPORTUNITY LLC.
C/O Caas Capital Management L.P.

By: /s/ Semi Gogliormella
Name: Semi Gogliormella
Title: COO

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

Auspice Limited

By: /s/ Fei Chen
Name: Fei CHEN
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

LAV Aqua Limited

By: /s/ Yu Luo
Name: Yu Luo
Title: Authorized Signatory

LAV Biosciences Fund V, L.P.

By: LAV GP V, L.P.
Its General Partner
By: LAV Corporate V GP, Ltd.
Its: General Partner

By: /s/ Yu Luo
Name: Yu Luo
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

Vivo Capital Fund VIII, L.P.

By: Vivo Capital VIII, LLC
Its: General Partner

By: /s/ Frank Kung
Name: Frank Kung
Title: Managing Member

Vivo Capital Surplus Fund VIII, L.P.

By: Vivo Capital VIII, LLC
Its: General Partner

By: /s/ Frank Kung
Name: Frank Kung
Title: Managing Member

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

OrbiMed Private Investments VII, LP

By: OrbiMed Capital GP VII LLC,
Its General Partner

By: OrbiMed Advisors LLC,
Its Managing Member

By: /s/ Carl Gordon
Name: Carl Gordon
Title: Member

OrbiMed Asia Partners III, L.P.

By: OrbiMed Asia GP III L.P.,
Its General Partner

By: OrbiMed Advisors III Limited,
Its Managing Member

By: /s/ Carl Gordon
Name: Carl Gordon
Title: Member

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

Hopewell Resources Holdings Limited

By: /s/ Yu Luo
Name: Yu Luo
Title: Authorized Signatory

Oriental Spring Venture Limited

By: /s/ Yu Luo
Name: Yu Luo
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

Decheng Capital China Life Sciences USD Fund III, L.P.

By its General Partner,
Decheng Capital Management III (Cayman), LLC

By: /s/ Xiangmin Cui
Name: Xiangmin Cui
Title: Managing Director

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

INVESTORS:

F&W Investments LP – Series 2018
By: F&W Operations LLC
Its: General Partner

By: /s/ Laird H. Simons
Name: Laird H. Simons III
Title: Member

SCHEDULE A

INVESTORS

Name of Investor

Deerfield Partners, L.P.
780 Third Ave. 37th Floor
New York, NY 10017
Attention: General Counsel
With a copy to:
***

Paul Hastings LLP
200 Park Ave.
New York, NY
10166
Email: ***

Antara Capital Master Fund LP
500 Fifth Avenue, Suite 2320
New York, NY 10110
Email: ***

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, IN 46285
Email: ***

Samsara BioCapital, L.P.
628 Middlefield Road
Palo Alto, CA 94301
Email: ***

Averill Master Fund, Ltd
540 Madison Avenue, 7th Floor
New York, NY 10022
Email: ***

CAAS OPPORTUNITY LLC.
C/O CaaS Capital Management L.P. a Delaware Limited Partner
800 Third Avenue
New York, NY 10022
Attn: Semi Gogliormella
Email: ***

Auspice Limited
Room 2909-2914, #3 Corporate Avenue
168 Hubin Road, Huangpu
Shanghai, China
Attn: Tao Yu
Email: ***

LAV Biosciences Fund V, L.P.
LAV GP V, L.P.
LAV Corporate V GP, Ltd.
Unit 902-904, Two Chinachem Central
26 Des Voeux Road Central, Hong Kong
Attn: Tao Yu
Email: ***

LAV Aqua Limited
Unit 902-904, Two Chinachem Central
26 Des Voeux Road Central, Hong Kong
Attn: Tao Yu
Email: ***

Vivo Capital Fund VIII, L.P.
c/o Vivo Capital LLC
192 Lytton Avenue
Palo Alto, CA 94301
Email: ***

Vivo Capital Surplus Fund VIII, L.P.
c/o Vivo Capital LLC
192 Lytton Avenue
Palo Alto, CA 94301
Email: ***

OrbiMed Private Investments VII, L.P.
c/o OrbiMed Advisors LLC
601 Lexington Avenue, 54th Floor
New York, NY 10022
Email: ***

OrbiMed Asia Partners III, L.P.
c/o OrbiMed Advisors LLC
601 Lexington Avenue, 54th Floor
New York, NY 10022
Email: ***

Hopewell Resources Holdings Limited
Unit 902-904, Two Chinachem Central
26 Des Voeux Road Central, Hong Kong
Attn: Tao Yu
Email: ***

Oriental Spring Venture Limited
Unit 902-904, Two Chinachem Central
26 Des Voeux Road Central, Hong Kong
Attn: Tao Yu
Email: ***

Decheng Capital China Life Sciences USD Fund III, L.P.
3000 Sand Hill Road
Building 2; Suite 110
Menlo Park, CA 94025
Email: ***

F&W Investments LP—Series 2018
c/o Fenwick & West LLP
Attention: Laird H. Simons III
Silicon Valley Center
801 California Street
Mountain View, CA 94041
Email: ***

OFFICE LEASE

BY AND BETWEEN

DWF IV CENTURY PLAZA, LLC,
a Delaware limited liability company,
As Landlord

And

TERNS, INC.,
a Delaware corporation,
as Tenant

For Leased Premises at Suite 100,
1065 East Hillsdale Boulevard, Foster City, California 94404

TABLE OF CONTENTS

OFFICE LEASE

THIS OFFICE LEASE ("**Lease**") is entered and dated for reference purposes only as March 1, 2019, by and between "Landlord" and "Tenant" (as such terms are defined below).

ARTICLE 1 SALIENT LEASE TERMS

In addition to the terms defined throughout this Lease, the following salient terms shall have the following meanings when referred to in this Lease:

1.1	**Rent Payment Address:**	Address for payment by regular mail: DWF IV Century Plaza, LLC P.O. Box 7613 San Francisco, CA 94120-7613 Address for payment by overnight delivery: City National Bank 150 California Street, Suite 1300 San Francisco, CA 94111 Attn.: Chris Hein Instructions for payment by wire transfer: In accordance with separate wiring instructions provided in writing by Landlord
1.2	**"Landlord" and Notice Address:**	DWF IV Century Plaza, LLC, c/o Divco Real Estate Services, Inc. 575 Market Street, 35th Floor San Francisco, CA 94105 Attn.: Property Manager With a copy to: Divco West Real Estate Services, Inc. 575 Market Street, 35th floor San Francisco, CA 94105 Attention: Asset Manager
1.3	**"Tenant" and Notice Address**	Terns, Inc. **Prior to Commencement Date:** 1810 Gateway Drive, Suite 320 San Mateo, CA 94404 Attention: Margaret Robinson, Associate Director, Finance **From and after Commencement Date:** At the Leased Premises Attention: Margaret Robinson, Associate Director, Finance
1.4	**"Leased Premises:"**	Approximately 9,751 square feet of Rentable Area (hereinafter defined) in Suite 100 of the Building.
1.5	**"Building:"**	That building located at 1065 Hillsdale Boulevard, Foster City, California 94404, containing approximately 115,629 square feet of Rentable Area, which shall be deemed the actual square footage of Rentable Area in the Building.

1.6 **Complex:** The "**Complex**" means (i) the Building and the Common Areas (hereinafter defined), (ii) the land upon which the Building and the Common Areas are located 1065 Hillsdale Boulevard, Foster City, California 94404, and (iii) at Landlord's discretion, any additional real property, areas, land, building or other improvements added thereto outside of the Complex.

1.7 "**Commencement Date:**" May 1,2019.

1.8 "**Term:**" Sixty-six (66) months from and including the Commencement Date and expiring on October 31, 2024 (the "**Expiration Date**"). Tenant has one option to extend the Term as provided in Exhibit E attached hereto.

1.9 "**Minimum Monthly Rent:**"

Time Period	Minimum Monthly Rent
May 1, 2019—April 30, 2020	$48,755.00 (subject to abatement for the Rent Abatement Period as provided below)
May 1, 2020 – April 30, 2021	$50,217.65
May 1, 2021 – April 30, 2022	$51,724.18
May 1, 2022 – April 30, 2023	$53,275.90
May 1, 2023 – April 30, 2024	$54,874.18
May 1, 2024 – October 31, 2024	$56,520.41

The foregoing schedule starts as of the Commencement Date of the Term of the Lease.

Landlord hereby agrees to abate Tenant's obligation to pay Minimum Monthly Rent during the first six (6) months of the Term. Such period of abatement shall be referred to as the "**Rent Abatement Period**" and the total amount of the abated Minimum Monthly Rent being hereinafter referred to as the "**Abated Rent Amount**"). However, Tenant will still be responsible for the payment of all other monetary obligations under the Lease during the Rent Abatement Period and throughout the Term. Notwithstanding the foregoing, if Tenant at any time during the Term be in default after having been given notice and opportunity to cure and as a result of such default Landlord exercises its remedy to terminate this Lease in accordance with Article 25 below, then the total unamortized sum of such Abated Amount (amortized on a straight line basis over the initial Term of this Lease) so conditionally excused shall become immediately due and payable by Tenant to Landlord; provided, however, Tenant acknowledges and agrees that nothing in this subparagraph is intended to limit any other remedies available to Landlord at law or in equity under applicable law (including, without limitation, the remedies under Civil Code Section 1951.2 and/or 1951.4 and any successor statutes or similar laws), in the event Tenant defaults under this Lease beyond any applicable notice and cure period.
Landlord shall have the right, upon prior written notice to Tenant at any time prior to application of the entire Rent Abatement Period, to purchase from Tenant any and all then remaining Abated Rent Amount as it applies to one or more of the remaining months in the Rent Abatement Period by paying to Tenant an amount equal to the unused balance of the Abated Rent Amount that Landlord elects to purchase back from Tenant based on a Minimum Monthly Rent of $48,755.00 for each month of the Rent Abatement Period that Landlord elects to purchase back (the "**Abated Amount Purchase Price**"). The Abated Amount

		Purchase Price for any partial month of the Rent Abatement Period shall be prorated on a daily basis. Upon Landlord's payment to Tenant of the Abated Amount Purchase Price with respect to the applicable remaining abatement months in the Rent Abatement Period, Tenant shall thereupon be required to pay Minimum Monthly Rent of $48,755.00 for each month of the Rent Abatement Period that Tenant would have been entitled to receive the Abated Rent Amount but for Landlord's payment to Tenant of the Abated Amount Purchase Price.
1.10	**Base Year for "Base Year Costs:"**	For Base Operating Costs: 2019 calendar year For Base Taxes: 2019 calendar year.
1.11	**"Letter of Credit Amount:"**	$292,530.00, subject to reduction as provided in Section 8.2 below.
1.12	**"Permitted Use:"**	The Leased Premises shall be used solely for general office and administrative purposes, but for no other use.
1.13	**Proportionate Share:**	Tenant's initial Proportionate Share is 8.43% based on the ratio that the Rentable Area of the Leased Premises bears to the Rentable Area of the Building.
1.14	**"Brokers:"**	Newmark Cornish & Carey representing Landlord and Tenant.
1.15	**Guarantor**	Not Applicable.
1.16	**Parking Allocation:**	Thirty-one (31) parking spaces based on the ratio of 3.15 spaces per 1,000 square feet of Rentable Area in the Leased Premises. Parking shall be free of additional separate charge for parking during the term (as such term may be extended).
1.17	**Contents:**	Included as part of this Lease are the following Exhibits and addenda which are attached hereto and incorporated herein by this reference: Exhibits: A – Floor Plan of the Leased Premises B – Intentionally Deleted C – Acknowledgment of Commencement Date D – Rules & Regulations E – Option to Extend and First Refusal Right to Expand F – Initial Form of Letter of Credit from Silicon Valley Bank

ARTICLE 2 ADDITIONAL DEFINITIONS

The terms defined in this Article 2 shall, for all purposes of this Lease and all agreements supplemental hereto, have the meanings herein specified, unless expressly stated otherwise.

"**Base Operating Costs**" means the Operating Costs for the calendar year set forth in Section 1.10 hereof as such Operating Costs shall be increased to be what the Operating Costs would have been if the Building were one hundred percent (100%) leased and occupied during such calendar year. In addition, if any classes or types of expenses included in Base Operating Costs do not regularly recur in any subsequent Expense Year, such classes or types of expenses shall be removed from the Base Operating Costs for purposes of calculating the additional Rent due hereunder for such Lease Year.

"**Base Taxes**" means the Taxes for the calendar year set forth in Section 1.10 hereof.

"**Common Areas**" shall mean all areas and facilities outside the Leased Premises within the exterior boundaries of the parcel of land containing the Complex of which the Leased Premises form a part, together with the parking and access areas within the Complex, all as provided and designated by Landlord from time to time for the general use and convenience of Tenant and of other tenants of Landlord having the common use of such areas, and their respective authorized representatives and invitees. The Common Areas consist of the Complex Common Areas and the Building Common Areas. The "**Complex Common Areas**" as used in this Lease shall mean the portion of the Complex designated as such by Landlord. The "**Building Common Areas**" as use in this Lease shall mean the portions of the Common Areas located within the Building designated as such by Landlord. As of the date of this Lease, Common Areas include, without limitation, corridors, stairways, elevator shafts, janitor rooms in the Building, the driveways, and landscaped areas in the Complex. Landlord reserves the right to temporarily close, make alterations or additions to, or change the location of elements of the Complex and the Common Areas from time to time. The Common Areas include the Common Facilities (as hereinafter defined). The "Common Facilities" may include conference and training rooms designated by Landlord from time to time and Landlord reserves the right in its sole and absolute discretion to remove the Common Facilities at any time and use the space as additional space available for rent by a third party.

"**Insurance Costs**" shall mean all premiums and costs and expenses for all policies of insurance which may be obtained by Landlord in its discretion for (a) the Leased Premises, Building and the Complex, or any blanket policies which include the Building or Complex, covering damage thereto and loss of rents caused by fire and other perils Landlord elects to cover, including, without limitation, coverage for earthquakes and floods, (b) commercial general liability insurance for the benefit of Landlord and its designees and (c) such other coverage Landlord elects to obtain for the Leased Premises, Building or the Complex, including, without limitation, coverage for environmental liability and losses. Moreover, if Landlord does not carry earthquake, terrorism or another type of insurance for the Complex during the Base Year but carries such type of insurance for the Complex during any subsequent calendar year, then, for purposes of determining Insurance Costs for such calendar year, Base Operating Costs shall be deemed to be increased by the amount of the premium Landlord would have incurred for such type of insurance during the Base Year if Landlord had maintained such type of insurance for the same period of time during the Base Year as such insurance is maintained by Landlord during such calendar year. Conversely, if Landlord does carry earthquake, terrorism or another type of insurance for the Complex during the Base Year but does not carry such type of insurance for the Complex during any subsequent calendar year, then for purposes of determining Insurance Costs for such calendar year the Base Operating Costs shall be deemed to be decreased by the amount of the premium Landlord incurred for such type of insurance during the Base Year.

"**Lease Year**" means any fiscal year (as determined by Landlord), or portion thereof, following the commencement hereof, the whole or any part of which period is included within the Term.

"**Operating Costs**" means the total amounts paid or payable, whether by Landlord or others on behalf of Landlord, in connection with the ownership, maintenance, repair, replacement and operations of the Complex in accordance with Landlord's standard operating and accounting procedures. Since the Complex consists of more than one building, certain Operating Costs may pertain to a particular building(s) and other Operating Costs to the Complex as a whole (such as Operating Costs for the Common Areas of the Complex). Landlord reserve the right to allocate Operating Costs applicable to any particular building within the Complex to the building (including the Building) in question whose tenants shall be responsible for payment of their respective proportionate shares in the pertinent building and other Operating Costs applicable to the Complex (such as the Common Areas of the Complex) shall be charged to each building in the Complex (including the Building) with the tenants in each such building being responsible for paying their respective proportionate shares in such building of such costs to the extent required under the applicable leases. Landlord shall in good faith attempt to allocate such Operating Costs to the buildings (including the Building) and such allocation shall be binding on Tenant. Operating Costs shall include, but not be limited to, the aggregate of the amount paid for the following costs at the Complex:

(1) all fuel used in heating and air conditioning;

(2) the amount paid or payable for all electricity furnished, arranged or obtained by Landlord (other than electricity furnished to and paid for by other tenants by reason of their extraordinary consumption of electricity and that furnished to the other building in the Complex for which the tenants of such other building are responsible for such electrical costs);

(3) the cost of periodic relamping and reballasting of lighting fixtures;

(4) the amount paid or payable for all hot and cold water (other than that chargeable to Tenants by reason of their extraordinary consumption of water and that furnished to other buildings in the Complex for which the tenants of such other building are responsible for such water costs) and sewer costs;

(5) the amount paid or payable for all labor and/or wages and other payments including cost to Landlord of workers' compensation and disability insurance, payroll taxes, welfare and fringe benefits made to janitors, caretakers, and other employees, contractors and subcontractors of Landlord (including wages of the building managers) involved in the management, operation, maintenance and repair of the Complex;

(6) managerial and administrative expenses; the total charges of any independent contractors employed in the repair, care, operation, maintenance, and cleaning of the Complex;

(7) the amount paid or payable for all supplies occasioned by everyday wear and tear;

(8) the costs of climate control, window and exterior wall cleaning, telephone and utility costs of the Complex;

(9) the cost of accounting services necessary to compute the rents and charges payable by tenants and keep the books of the Complex;

(10) Fees for property management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), not to exceed the monthly rate of 3% of the gross revenues from the Complex, plus charges for office rent for property management, supplies, equipment salaries, wages, bonuses and other compensation (including fringe benefits, vacation, holidays and other paid absence benefits) relating to employees of Landlord or its property manager or agents engaged in the management, operation, repair, or maintenance of the Complex;

(11) fees for legal, accounting (including, without limitation, any outside audit as Landlord may elect in its sole and absolute discretion), inspection and consulting services;

(12) the cost of operating, repairing and maintaining the elevators;

(13) the cost of porters, guards, alarm (including any central station signaling systems) and other protection services;

(14) the cost of establishing and maintaining the directory board;

(15) payments for general maintenance and repairs to the plant and equipment supplying climate control at the Complex;

(16) the cost of supplying the type of services referred to in Article 11 hereof to the extent such services are not paid by individual tenants;

(17) amortization of the costs, including repair and replacement, of all maintenance and cleaning equipment and master utility meters and of the costs incurred for repairing or replacing all other fixtures, equipment and facilities serving or comprising a part of the Complex (including any equipment leasing costs associated therewith if applicable) which by their nature require periodic or substantial repair or replacement, and which are not charged fully in the year in which they are incurred, at rates on the various items determined from time to time by Landlord in accordance with sound accounting principles;

(18) community association dues, assessments and charges and property owners' association dues, assessments and charges which may be imposed upon Landlord by virtue of any recorded instrument affecting title to the Building and the cost of any licenses, permits and inspection fees;

(19) all costs to upgrade, improve or change the utility, efficiency or capacity of any utility or telecommunication system serving the Complex;

(20) the repair and replacement, resurfacing and/or repaving of any paved areas, curbs or gutters of the Complex;

(21) the repair and replacement of any equipment or facilities serving or located within the Complex;

(22) the cost of any capital repairs, improvements and replacements made by the Landlord to the Complex ("**Capital Costs**") which are (a) required to be made in order to conform to changes subsequent to the Commencement Date in any applicable laws, ordinances, rules, regulations, or orders of any governmental authority having jurisdiction over the Building or Common Areas ("**laws**"), or are first required to be made after the Commencement Date under any existing laws (noncompliance with any laws in effect as of the Commencement date of this Lease which is permitted under applicable law because such improvements were in compliance with applicable laws as of the date they were constructed shall be considered to be in compliance with applicable law under this Paragraph), (b) incurred for the purpose of reducing other operating expenses or utility costs, or (c) performed to install new or replace capital improvements or building service equipment when required because of normal wear and tear. The Capital Costs shall be includable in Operating Costs each year only to the extent of that fraction allocable to the year in question calculated by amortizing such Capital Cost over the reasonably useful life of the improvement resulting therefrom, as determined by Landlord in its good faith discretion, with interest on the unamortized balance at the higher of (i) eight percent (8%) per annum; or (ii) the interest rate as may have been paid by Landlord for the funds borrowed for the purpose of performing the work for which the Capital Costs have been expended, but in no event to exceed the highest rate permissible by law; and

(23) Insurance Costs.

Operating Costs shall not include the following:

(a) interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Complex;

(b) such of the Operating Costs as are recovered from insurance proceeds or which were required by this Lease to be covered by insurance or which were paid for directly by Tenant or any third party;

(c) Costs arising from Landlord's charitable or political contributions;

(d) Brokers' or other leasing commissions and costs incurred in connection with entering into new leases or disputes under existing leases;

(e) costs associated with bad debt losses;

(f) expenses for any item or service not provided, offered or available to Tenant, but provided exclusively to certain other tenants at the Complex;

(g) depreciation and amortization on any mortgage;

(h) any ground lease or underlying lease payments;

(i) marketing costs including leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Complex;

(j) costs for acquisition of sculpture, paintings or other objects of art, except to the extent to replace, when necessary, any sculpture, paintings or other objects of art existing at the Complex as of the date of this Lease so long as such item replaced is of like kind and quality;

(k) any costs, fines or penalties incurred due to violations by Landlord of any legal requirement which may have been in effect as of the Commencement Date of this Lease;

(l) expenses for any item or service not provided, offered or available to Tenant, but provided exclusively to certain other tenants in the Building;

(m) expenses for tenant improvement work or allowances, inducements, and other concessions for any tenant;

(n) the cost of any repairs, improvements, or replacements made to remedy any structural defect in the original structural design or construction of the Building or other buildings in the Complex.

(o) costs for the removal or abatement of Hazardous Materials to the extent required by applicable law to be removed or abated as of the Commencement Date but not removed or abated until after the Commencement Date, excluding such Hazardous Materials for which Tenant is responsible under this Lease; provided, however, that Operating Costs shall include (i) the costs of any routine monitoring of or testing for Hazardous Materials in, on, or about the Complex, and (ii) costs incurred in the cleanup or remediation of de minimis amounts of Hazardous Materials customarily used in office buildings or used to operate motor vehicles and customarily found in parking facilities shall be included as Operating Costs;

(p) costs to make any repairs to correct any defect to the Structural parts of the Building;

(q) except for the management fee to the extent allowed pursuant to item (10), above, overhead and profit increment paid to the Landlord or to subsidiaries or affiliates of the Landlord for services in the Complex to the extent the same exceeds the costs of such services rendered by qualified, first-class unaffiliated third parties on a competitive basis;

(r) the cost of any capital repairs, improvements and replacements made by the Landlord to the Complex which are required by applicable laws in effect prior to the Commencement Date; or

(s) costs arising from the gross negligence or willful misconduct of Landlord or its agents, employees, vendors, contractors, or providers of materials or services; or

(t) amounts incurred as a result of damage caused by earthquakes, to the extent (i) in excess of $1.00 per rentable square foot of the Building in any year, (ii) not includable in Operating Costs as a permitted capital expenditure, and (iii) not required by applicable laws.

Notwithstanding anything to the contrary contained in this Lease, there shall be no duplication of costs, charges or expenses required to be paid by Tenant pursuant to this Lease.

"**Proportionate Share**" or "**Pro Rata Percent**" shall be that fraction (converted to a percentage) the numerator of which is the Rentable Area (hereinafter defined) of the Leased Premises and the denominator of which is the Rentable Area of the Building. Tenant's Proportionate Share as of the commencement of the Term hereof is specified in Section 1.13. Said Proportionate Share may be recalculated by Landlord as may be required effective as at the commencement of any period to which the calculation is applicable in this Lease. Notwithstanding the preceding provisions of this Section, Tenant's Proportionate Share as to certain expenses may be calculated differently to yield a higher percentage share for Tenant as to certain expenses in the event Landlord permits other tenants in the Building to directly incur such expenses rather than have Landlord incur the expense in common for the Building (such as, by way of illustration, wherein a tenant performs its own janitorial services). In such case Tenant's proportionate share of the applicable expense shall be calculated as having as its denominator the Rentable Area of all floors rentable to tenants in the Building less the Rentable Area of tenants who have incurred such expense directly. In any case in which Tenant, with Landlord's consent, incurs such expenses directly, Tenant's proportionate share will be calculated specially so that expenses of the same character which are incurred by Landlord for the benefit of other tenants in the Building shall not be prorated to Tenant. Nothing herein shall imply that Landlord will permit Tenant or any other tenant of the Building to incur any Operating Costs. Any such permission shall be in the sole discretion of the Landlord, which Landlord may grant or withhold in its arbitrary judgment.

"**Real Estate Taxes**" or "**Taxes**" shall mean and include all general and special taxes, assessments, fees of every kind and nature, duties and levies, charged and levied upon or assessed by any governmental authority against the parcel containing the Building and all other improvements on such parcel, including the various estates in such parcel and the Building and improvements thereon, any leasehold improvements, fixtures, installations, additions and equipment, whether owned by Landlord or Tenant or any other tenant; except that it shall exclude any taxes of the kind covered by Section 6.1

hereof to the extent Landlord is reimbursed therefor by any tenant in the Building. Real Estate Taxes shall also include the reasonable cost to Landlord of contesting the amount, validity, or the applicability of any Taxes mentioned in this Section but only to the extent of the savings. Further included in the definition of Taxes herein shall be general and special assessments, license fees, commercial rental tax, levy, or tax (other than inheritance or estate taxes) imposed by any authority having the direct or indirect power to tax, as against any legal or equitable interest of Landlord in the Leased Premises, Building, parcel or in the Complex or on the act of entering into this Lease or, as against Landlord's right to rent or other income therefrom, or as against Landlord's business of leasing the Leased Premises, Building, parcel or the Complex, any tax, fee, or charge with respect to the possession, leasing, transfer of interest, operation, management, maintenance, alteration, repair, use, or occupancy by Tenant, of the Leased Premises, Building, parcel or any portion thereof or the Complex, or any tax imposed in substitution, partially or totally, for any tax previously included within the definition of Taxes herein, or any additional tax, the nature of which may or may not have been previously included within the definition of Taxes. Further, if at any time during the term of this Lease the method of taxation or assessment of real estate or the income therefrom prevailing at the time of execution hereof shall be, or has been altered so as to cause the whole or any part of the Taxes now or hereafter levied, assessed or imposed on real estate to be levied, assessed or imposed upon Landlord, wholly or partially, as a capital levy, business tax, fee, permit or other charge, or on or measured by the Rents received therefrom, then such new or altered taxes, regardless of their nature, which are attributable to the land, the Building or to other improvements on the land shall be deemed to be included within the term "Real Estate Taxes" for purposes of this Section, whether in substitution for, or in addition to any other Real Estate Taxes, save and except that such shall not be deemed to include any enhancement of said tax attributable to other income of Landlord. With respect to any general or special assessments which may be levied upon or against the Leased Premises, Building, Complex, or the underlying realty, or which may be evidenced by improvement or other bonds, and may be paid in annual or semi-annual installments, only the amount of such installment, prorated for any partial year, and statutory interest shall be included within the computation of Taxes for which Tenant is responsible hereunder. Taxes shall also include any governmental or private assessments or the Complex's contribution towards a governmental or private cost-sharing agreement, such as by way of example only, a business improvement district, for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies.

If the Building and the Other Building are included in the same tax bill and contain different size and types of improvements, Landlord shall have the right to allocate the Taxes to each such building in accordance with Landlord's reasonable accounting and management principles.

Notwithstanding anything to the contrary contained in the foregoing definition of Real Estate Taxes, Tenant shall not be responsible or liable for the payment of any state or federal income taxes assessed against Landlord, or any estate, succession or inheritance taxes of Landlord, or corporation franchise taxes imposed upon the corporate owner of the fee of the Building.

"**Rent**" "**rent**" or "**rental**" means Minimum Monthly Rent and all other sums required to be paid by Tenant pursuant to the terms of this Lease.

"**Rentable Area**" as used in the Lease shall be determined as follows:

(a) Single Tenant Floor. As to each floor of the Building on which the entire space rentable to tenants is or will be leased to one tenant, Rentable Area shall be the entire area bounded by the inside surface of the exterior glass walls on such floor, including all areas used for elevator lobbies, corridors, special stairways, special elevators, restrooms, mechanical rooms, electrical rooms and telephone closets, without deduction for columns and other structural portions of the Building or vertical penetrations that are included for the special use of Tenant, but excluding the area contained within the interior walls of the Building stairs, fire towers, vertical ducts, elevator shafts, flues, vents, stacks, pipe shafts, and the rentable square footage described in Paragraph (c) below.

(b) Multi-Tenant Floor. As to each floor of the Building on which space is or will be leased to more than one tenant, Rentable Area attributable to each such lease shall be the total of (i) the entire area included within the Leased Premises covered by such lease, being the area bounded by the inside surface of any exterior glass walls, the exterior of all walls separating such Leased Premises from any public corridors or other public areas on such floor, and the centerline of all walls separating such Leased Premises from other areas leased or to be leased to other tenants on such floors, (ii) a pro rata portion of the area within the elevator lobbies, corridors, restrooms, mechanical rooms, electrical rooms, telephone closets and their enclosing walls situated on such floor and (iii) the rentable square footage described in Paragraph (c) below.

(c) Building Load. In any event, Rentable Area shall also include Tenant's Proportionate Share of the lobbies of the Building and Tenant's Proportionate Share of the area of the emergency equipment, fire pump equipment, electrical switching gear, telephone equipment and mail delivery facilities serving the Building.

(d) Deemed Square Footage. The Rentable Area of the Leased Premises is deemed to be the square footage set forth in section 1.4 of this Lease as of the date hereof, and Rentable Area of the Building is deemed to be the square footage set forth in section 1.5 hereof.

"**Structural**" as herein used shall mean any portion of the Leased Premises, Building or Common Areas of the Complex which provides bearing support to any other integral member of the Leased Premises, Building or Common Areas of the Complex such as, by limitation, the roof structure (trusses, joists, beams), posts, load bearing walls, foundations, girders, floor joists, footings, and other load bearing members constructed by Landlord.

ARTICLE 3 PREMISES AND COMMON AREAS

3.1 Demising Clause. Landlord hereby leases to Tenant, and Tenant hires from Landlord the Leased Premises, consisting of the approximate square footage listed in Section 1.4 of the Salient Lease Terms, which the parties agree shall be deemed the actual square footage, subject to change by Landlord in connection with changes in the Rentable Area of the floor on which the Leased Premises are located.

3.2 Reservation. Landlord reserves the area beneath and above the Building as well as the exterior thereof together with the right to install, maintain, use, repair and replace pipes, ducts, conduits, wires, and structural elements leading through the Leased Premises serving other parts of the Building and Common Areas of the Complex, so long as such items are concealed by walls, flooring or ceilings. Such reservation in no way affects the maintenance obligations imposed herein. Landlord may change the shape, size, location, number and extent of the improvements to any portion of the Building or Common Areas of the Complex and/or the address or name of the Building without the consent of Tenant.

3.3 Covenants, Conditions and Restrictions. The parties agree that this Lease is subject to the effect of (a) any covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record, and any other matters or documents of record; (b) any zoning laws of the city, county and state where the Complex is situated; and (c) general and special taxes not delinquent. Tenant agrees that as to its leasehold estate, Tenant and all persons in possession or holding under Tenant will conform to and will not violate the terms of any covenants, conditions or restrictions of record which may now or hereafter encumber the Building or the Complex (hereinafter the "**restrictions**"). This Lease is subordinate to the restrictions and any amendments or modifications thereto.

3.4 Common Areas. Landlord hereby grants to Tenant, for the benefit of Tenant and its employees, suppliers, shippers, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Landlord under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Building or the Complex and subject to the requirements and limitations on the use of parking areas. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Landlord or Landlord's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Landlord shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Tenant, which cost shall be immediately payable upon demand by Landlord.

During the Lease Term, Tenant may use, in common with Landlord's employees, contractors, agents, invitees, and other tenants, those portions of the Building that are designated by Landlord from time to time as be available for common use (the "**Common Facilities**"). The Common Facilities include certain conference and training rooms designated by Landlord from time to time. Notwithstanding the foregoing, Tenant's use of any Common Facilities shall be subject to such rules regarding scheduling and priority as may be promulgated by Landlord from time to time. Tenant shall cause its employees, invitees, guests and contractors to use the Common Facilities (i) in a clean, safe and sanitary manner, (ii) in such a way as to minimize interference with any other party's use of any Common Facilities or its occupancy in the Building, and (iii) comply with such rules and regulations now or hereafter in existence or established by Landlord form time to time for the common and shared use of the Common Facilities. The cost of the Common Facilities shall be included in Operating Expenses except for expenses directly incurred by Tenant in connection with its use, which shall be paid by Tenant. Landlord reserves the right in its sole and absolute discretion to close, reduce or expand the Common Facilities at any time and from time to time.

(a) Common Areas Changes. Provided that the exercise of such rights does not unreasonably and materially interfere with Tenant's occupancy of the Leased Premises, Landlord shall have the right, in Landlord's sole discretion, from time to time:

(1) To make changes and reductions to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas and walkways;

(2) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Leased Premises remains available;

(3) To designate other land outside the boundaries of the Building to be a part of the Common Areas;

(4) To add additional improvements to the Common Areas;

(5) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Building or Complex, or any portion thereof;

(6) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas, Building and Complex as Landlord may, in the exercise of sound business judgment, deem to be appropriate.

(b) Common Area Maintenance. Landlord shall, in Landlord's sole discretion, maintain the Common Areas (subject to reimbursement pursuant to this Lease), establish and enforce reasonable rules and regulations concerning such areas, close any of the Common Areas to whatever extent required in the opinion of Landlord's counsel to prevent a dedication of any of the Common Areas or the accrual of any rights of any person or of the public to the Common Areas, close temporarily any of the Common Areas for maintenance purposes, and make changes to the Common Areas including, without limitation, changes in the location of driveways, corridors, entrances, exits, the designation of areas for the exclusive use of others, the direction of the flow of traffic or construction of additional buildings thereupon. Landlord may provide security for the Common Areas, but is not obligated to do so. Under no circumstances shall Landlord be liable or responsible for any acts or omissions of any party providing any services to the Common Areas, Building or other improvements, including, without limitation, any security service, notwithstanding anything to the contrary contained in this Lease.

(c) Parking. During the Term, Landlord shall provide Tenant on an unassigned, non-exclusive basis the number of monthly parking spaces specified in Section 1.16 of this Lease. The allocation of parking spaces shall permit the non-exclusive right on an unassigned and unreserved basis to use not more than the number of parking spaces provided in Section 1.16 in the parking facility at the Complex. At no time, may Tenant or any of Tenant's Parties use more than the number of allocated parking spaces specified above. This right to park in the parking facility shall be on an unreserved, nonexclusive, first come, first served basis, for passenger-size automobiles, small pick-up trucks and SUVs.

(1) Location of Parking. Landlord shall have the right to designate from time to time which areas of such parking facility foregoing parking spaces will be located; however such designation shall not be construed as providing Tenant with any reserved or marked parking. Landlord specifically reserves the right to change the location, size, configuration, design, layout, and all other aspects of the parking facility, including implementing and discontinuing any escort or valet system. Landlord may close off or restrict access to the parking facility from time to time to facilitate construction, alteration, or improvements, without incurring any liability to Tenant and without any abatement of Rent under this Lease so long as Tenant continues to have reasonable access to its allocated parking spaces.

(2) Parking Rules and Regulations. Tenant's continued right to use the parking passes and parking facility is conditioned on Tenant's abiding by all rules and regulations prescribed from time to time for the orderly operation and use of the parking facility. Tenant shall use all reasonable efforts to ensure that Tenant's employees and visitors also comply with such rules and regulations.

(3) Nontransferable. The parking spaces rented by Tenant are provided to Tenant solely for use by Tenant's personnel (not including Tenant's invitees and guests). The right to use the allocated parking spaces may not be transferred, assigned, subleased, or otherwise alienated by Tenant without Landlord's prior approval; provided, that Landlord's approval shall be deemed to be given in connection with any approved assignment or subletting or Permitted Transfer.

(4) General. Landlord reserves the right in its sole and absolution discretion to have the parking facility operated by a third party. If requested of Landlord or its parking operator, Tenant agrees that it shall enter into a parking agreement for issuance of the parking passes. If Tenant does not enter into the parking agreement with the tenant or operator of the parking facility or if Tenant elects on not less than thirty (30) days prior written notice to Landlord and the or operator of the parking facility to discontinue using all or any specified number of parking spaces Tenant previously elected to use, then Tenant shall not have any right to use the parking spaces for which it did not enter into a parking agreement or for which it rejected or subsequently discontinued, which spaces may be available to Landlord, and any parking rights for Tenant hereunder as to such rejected and subsequently discontinued spaces shall be null and void. The parking spaces will not be separately identified and Landlord shall have no obligation to monitor the use of the parking facility, nor shall Landlord be responsible for any loss or damage to any vehicle or other property at the Complex or for any injury to any person. Tenant shall comply with all rules and regulations of the tenant or operator of the parking facility where the parking spaces are located. A failure by Tenant or any of its employees to comply with the foregoing provisions shall subject Tenant to the loss of use of such parking spaces, in which case the Lease shall continue without any abatement in rent or charge to Landlord. All trucks (other than pick-up trucks) and delivery vehicles shall be (i) parked at the loading dock of the Building, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Complex, and (iii) permitted to remain on the Complex only so long as is reasonably necessary to complete loading and unloading. In the event Landlord elects in its sole and absolute discretion or is required by any law to limit or control parking in the Complex, whether by validation of parking tickets or any other method of assessment, Tenant agrees to participate in such validation or assessment program under such reasonable rules and regulations as are from time to time established by Landlord.

(5) Identification. Tenant shall furnish Landlord within fifteen (15) days after taking possession of the Leased Premises with a list of its employees' vehicle license numbers that will be using the parking passes issued to Tenant, and thereafter shall notify Landlord of any changes within five (5) days after request by Landlord. Landlord also reserves the right to implement a system requiring that all employees of Tenant attach a parking sticker or parking permit to their vehicles.

(6) Condition. Tenant's rights to any parking spaces under this section are expressly conditioned upon Tenant (or a permitted assignee, subtenant, Affiliate or Permitted Transferee) being in occupancy of the Leased Premises. Tenant acknowledges and agrees that a breach of the parking provisions by Tenant or any of its employees may seriously interfere with Landlord's operation of the Complex and with the rights or occupancy by other tenants of the Complex. Accordingly, Landlord may suffer damages that are not readily ascertainable. Landlord may immobilize and/or tow from the Complex any vehicle of Tenant or its employees parked in violation hereof, and/or attach violation stickers or notices to such vehicle. The cost to remove any such vehicle shall be paid by Tenant's employee within ten (10) days after request by Landlord.

3.5 Rooftop Communication Equipment. During the Lease Term, Tenant shall have the nonexclusive right to install, repair, replace, maintain, modify, remove, use, and operate one antenna or satellite dish on the rooftop of the Building of a size and in accordance with the design and specifications approved by Landlord (the "**Equipment**") in the portion of the rooftop of the Building approved by Landlord (the "**Use Area**"), subject to all applicable laws and this Lease. The installation of such equipment will be considered an alteration by Tenant. The Equipment shall be used by Tenant solely for use in conducting its business at the Leased Premises, but subject to the terms and conditions of this Lease. The term "Equipment" shall also include all communication lines and cables and other related equipment request to connect or transmit information and signals into the Leased Premises. Tenant's rights under Section 3.5 and all subsections thereof are expressly conditioned upon and Tenant, at its sole cost and expense, covenants and agrees to comply with all of the following requirements:

(a) Plans. The precise location of the Use Area for the installation of the Equipment on the roof of the Building shall be subject to the reasonable approval of Landlord. The installation of all lines and equipment, including the Equipment, to connect and use the Equipment shall be performed in accordance with plans that are subject to the prior approval of Landlord and otherwise in accordance with the Lease for the construction of alterations. The installation and connection of all communication lines and cables must run through existing conduits or risers as approved by Landlord, or if such risers or conduits are not available, then Tenant shall be responsible for installing such risers and conduits at its sole cost and expense and as reasonably approved by Landlord. At no additional cost to Landlord, Landlord agrees to cooperate with Tenant in connection with Tenant's use of any available existing risers or conduits for Tenant's Equipment.

(b) Shielding. Landlord may specify the method of shielding the Equipment from view, or other decorative architectural features required to make the Equipment aesthetically acceptable to Landlord in its reasonable discretion, and Tenant shall submit to Landlord any plans for Landlord's prior written approval (which shall not be unreasonably withheld, conditioned or delayed), including the aesthetic shielding noted above.

(c) Construction Schedule. Tenant shall submit to Landlord a construction schedule for the construction and installation of the Equipment, which schedule shall be subject to Landlord's prior written approval (which shall not be unreasonably withheld, conditioned or delayed), and Tenant thereafter conform to such schedule.

(d) Compliance with Laws. The installation, use, operation and maintenance of the Equipment by Tenant shall be in compliance with all applicable laws having jurisdiction in connection therewith, and must be done in a manner that will not impair, void or adversely affect any roof warranty that Landlord may have at any time. Without limitation on the generality of the foregoing, Tenant shall secure and maintain in force and effect all governmental licenses, permits and approvals required for the installation and use of the Equipment, including any requisite building permits, and comply with all requirements of any party providing any roof warranty to the extent such warranty is furnished to Tenant or Tenant is otherwise informed of the requirements of such warranty.

(e) Rules and Regulations. Tenant's access to the roof of the applicable Building for purposes of installing and maintaining the Equipment and related facilities shall be subject to such procedures, regulations and limitations as Landlord may reasonably impose and provide to Tenant; provided, however, that any such procedures, regulations and limitations shall not effectively prohibit or preclude access at all times. However, to the extent any cost to operate the Equipment is not separately metered to Tenant, Tenant shall reimburse Landlord for the actual cost incurred by Landlord in connection therewith, which payment shall be made within thirty (30) days after request therefor.

(f) Adjustments. Tenant agrees that if Landlord makes or plans on making any repairs or maintenance to the Building where the Equipment is located, or any alterations, modifications, additions or improvements to such Building, including any such work to the electrical, mechanical or other operating systems within such Building, that will require an adjustment or modification to the Equipment in order to perform such work, Tenant at its sole cost shall make any concomitant adjustments or modifications to the Equipment and its related facilities, as such adjustments and modifications are reasonably determined to be necessary by any architect, engineer or other contractor engaged by Landlord in connection therewith, or, at Tenant's option, the Equipment and all communication and cable lines connecting the Equipment to the Leased Premises may be removed by Tenant. The making of the requisite adjustments and modifications for the Equipment and its related facilities shall be made in accordance with plans and specifications which are prepared, submitted, reviewed and approved by Landlord in its reasonable discretion.

(g) Removal. At its sole cost and expense, Tenant must remove or cause the removal of the Equipment and related facilities connecting to the Equipment) at the end of the Equipment Term (as defined below). Such removal shall be done in a good and workmanlike manner, and Tenant at its sole cost and expense shall repair any damage to the Building and Common Areas resulting therefrom. If Tenant fails to complete the removal by the date provided above, then at Landlord's election, the Equipment and its related facilities shall be deemed abandoned and at Landlord's option in its sole and absolute discretion, shall thereupon become the property of Landlord, in which case Landlord may possess, use, dispose of and otherwise enjoy the beneficial incidents of the ownership thereof as Landlord deems appropriate. Tenant hereby irrevocably waives any rights it has to the contrary under applicable laws.

(h) Landlord's Review. Tenant agrees and understands that the review of all plans by Landlord is solely to protect the interests of Landlord in the Building, and Landlord shall not be the guarantor of, nor responsible for, the correctness, completeness or accuracy of any such plans or compliance of such plans with applicable laws. Landlord's approval of any plans, work or any matter under this section shall not: (a) constitute an opinion or agreement by Landlord that such plans are in compliance with all applicable laws, (b) impose any present or future liability on Landlord; (c) constitute a waiver of Landlord's rights hereunder; (d) impose on Landlord any responsibility for a design and/or construction defect or fault in the connection, use or operation of the Equipment or other facilities, (e) constitute a representation or warranty regarding the accuracy, completeness or correctness thereof of any plans, or that such plans or any work are in accordance with industry standards or will allow the use of the Equipment to be operational or functional upon completion. Landlord shall have no responsibility for any deficiencies in the drawings or any failure thereof to reflect actual conditions (concealed or apparent) at the Building, including without limitation any failure of the drawings to reflect existing equipment, walls, or other facilities; in such case, Landlord may stop the installation work and require that Tenant revise the drawings.

(i) Use. Tenant may use the Use Area and the Equipment only for telecommunications purposes as provided in this Section, and no other purpose whatsoever. Such use must be in compliance with all applicable laws, including without limitation any permit or license requirements, and must be done without unreasonably disturbing or interfering with any other tenant or occupant of the Building. Tenant use of the Use Area and Equipment, including, without limitation, the installation, maintenance, repair and removal of the Equipment, may not in any way: (a) unreasonably interfere with any other use of the Building or rooftop, (b) unreasonably interfere in any way with the ability of other existing occupants of the Building or occupants of other properties to receive or transmit radio, televisions, telephone, computer, data processing, fiber-optic, microwave, short-wave, long-wave or other signals of any sort based on frequencies currently being used by such occupant, (c) interfere with the use by Landlord or other such occupants of existing electric, computer, electronic, fiber-optic or other facilities, equipment, appliances, personal property and fixtures, (d) interfere in any way with the use of any antennae, satellite dishes or other equipment or facilities located on the roof or any other floor or area of the Building, or (e) cause any unreasonable or unusual wear and tear to the Building or rooftop, or (f) create any unreasonable risk of damage or injury to property or people, or (g) adversely detract from the appearance of any Building.

(j) Waiver. Except to the extent arising from the gross negligence or willful misconduct of Landlord or its agents, employees or contractors, Landlord shall have no liability for damages arising from, and Landlord does not warrant that the Tenant's use of the Use Area or Equipment will be free from, the following (collectively called "**Line or Communication Problems**"): (a) any eavesdropping or wire-tapping by unauthorized parties, (b) any failure of any Equipment to satisfy Tenant's requirements, or (c) any shortages, failures, variations, interruptions, disconnections, loss or damage caused by the installation, maintenance, replacement, use or removal of the Equipment by or for other tenants or occupants at the Building, by any failure of the environmental conditions or the power supply for any Building to conform to any requirements for the Equipment or any associated equipment, or (d) any interference to the Equipment (or the use thereof) from any other source, including, without limitation, radio, television, telephone, microwave, short-wave, long wave, or other signal from any source or cause, or (e) any other problems associated with any Equipment by any other cause. Under no circumstances shall any Line or Communication Problems be deemed an actual or constructive eviction of Tenant, render Landlord liable to Tenant for abatement of rent, additional rent or any other charge, or relieve Tenant from performance of Tenant's obligations under this Lease. Landlord in no event shall be liable for damages by reason of loss of profits, business interruption or other consequential damage arising from any Line or Communication Problems.

(k) Term. Subject to Tenant's compliance with the terms of Section 3.5 and all subsections thereof, Tenant may use the Use Area and Equipment commencing after the Commencement Date and expiring at the earlier of (a) expiration or earlier termination of this Lease, or (b) at the expiration of sixty (60) days written notice, if any, by Tenant to Landlord of Tenant's election to discontinue using the Use Area and Equipment (the "**Equipment Term**"). If, for any reason beyond Landlord's reasonable control, Landlord is unable or delayed in providing access to the Use Area within the times or dates provided above for commencement of the use of the Use Area, Landlord shall not be liable for any damages as a result thereof.

(l) Condition of Use Area. Tenant will accept the Use Area in its "AS IS" condition without the construction of any improvements or the grant of any allowances or concessions by Landlord.

(m) Personal Property Tax. Tenant shall pay all taxes or other charges assessed against the Equipment or the use thereof. In the event any portion of the Equipment is assessed and billed with the property of Landlord, Tenant shall pay to Landlord its share of such taxes (based upon a reasonable determination of Landlord) within thirty (30) days after notice from Landlord of the amount reasonably determined by Landlord.

3.6 Outdoor Patio Area. Subject to the terms of this Lease and all applicable laws, Tenant shall have the exclusive right to use that certain enclosed fenced area located outside of but adjacent to part of the Leased Premises and more particularly set forth on Exhibit A attached hereto (the "**Outside Patio Area**") as an outdoor seating area for Tenant and its employees. Landlord shall not be obligated to provide or pay for any improvements, fixtures and/or furniture in connection with the Outside Patio Area and Tenant shall accept such Outside Patio Area in its AS IS condition. Tenant's use of the Outside Patio Area shall be subject to (i) such rules and regulations as Landlord may promulgate from time to time, and (ii) Tenant's compliance with all applicable laws, including without limitation all laws pertaining to the accessibility to, and use of and improvements to the Outdoor Patio Area. Neither Tenant nor any of its employees shall play any music or other instrument or video or sound equipment that may create noise at a level that may interfere with or annoy any other tenant or occupant of the Building as determined by Landlord. Tenant shall be responsible, at Tenant's sole cost and expense, to keep the Outdoor Patio Area in a clean and neat condition acceptable to Landlord, including, without limitation, keeping the Outdoor Patio Area free from paper litter, dishes and utensils and promptly cleaning up food and beverage spills periodically during each day. If, at any time, Tenant fails to fulfill its obligations pursuant to the terms hereof, Landlord may

at, at its sole option, either (a) terminate Tenant's right to utilize the Outdoor Patio Area or (b) perform Tenant's obligations (in which event Tenant shall be responsible for the costs incurred by Landlord in connection therewith, plus Landlord's standard administrative fee). Tenant shall have no right to construct or install improvements or to place furniture or fixtures of any kind in the Patio Area, other than tables, chairs, umbrellas and outdoor furniture that have been approved in advance by Landlord in writing (which approval may be withheld in Landlord's sole discretion) and that shall be paid for, installed and maintained by Tenant at its sole cost and expense. Provided that Tenant's rights hereunder are not materially adversely affected thereby, Landlord specifically reserves the right to change the size, configuration, design, layout and other aspects of the Outdoor Patio Area at any time during the Term (and, in connection therewith, and as may be required in an emergency and/or in accordance with applicable Laws, Landlord may temporarily close and/or restrict or limit access to the Outdoor Patio Area, or portions thereof). Tenant shall indemnify, defend and hold Landlord and the "Landlord Entities" (as defined in this Lease) harmless from and against any and all loss, liability, claims, expenses, damages or costs arising out of or in connection with the rights granted to Tenant hereunder and/or Tenant's and/or Tenant's employees' use of, or acts or omissions with respect to, the Outdoor Patio Area. Tenant's insurance obligations under this Lease shall also pertain to Tenant's use of the Outdoor Patio Area. Tenant hereby acknowledges and agrees that Tenant's rights under this paragraph are specifically subject to applicable laws and other governmental requirements and in the event that governmental authorities shall limit or restrict Tenant's use of the Outside Patio Area, Landlord shall not be liable therefor, Tenant's rights provided for under this paragraph shall be restricted or limited accordingly, and this Lease shall otherwise continue in full force and effect in accordance with its terms. Tenant shall be permitted to place any sign within, at or by the Outdoor Patio Area. Tenant shall not have to pay any additional Minimum Monthly Rent for the Outdoor Patio Area and the square footage of the Outdoor Patio Area shall not be including in the calculation of Tenant's Proportionate Share.

ARTICLE 4 TERM AND POSSESSION

4.1 Commencement Date. The Term of this Lease shall commence on the Commencement Date and shall be for the term specified in Section 1.8 hereof (which includes as set forth in Section 1.8 any partial month at the commencement of the Term if the Term commences other than on the first day of the calendar month).

4.2 Acknowledgment of Commencement. After delivery of the Leased Premises to Tenant, Tenant shall execute a written acknowledgment of the date of commencement in the form attached hereto as Exhibit C, and by this reference it shall be incorporated herein. The delay or failure by Landlord to request such acknowledgement or the delay or failure by Tenant to provide such acknowledgement shall not delay the Commencement Date.

4.3 Early Term Period. Landlord shall deliver possession of the Leased Premised to Tenant on or about April 15, 2019 so long as Tenant has delivered to Landlord the prepaid advance rent required under Section 5.2, the Letter of Credit and insurance certificates required of Tenant under this Lease. The actual date Landlord's delivers possession to Tenant shall be referred to as the "**Delivery Date**." The period of time starting on the Delivery Date and expiring immediately prior to the Commencement Date shall be referred to as the "**Early Term Period**." All of the obligations required of Tenant during the Term shall apply during the Early Term Period, except that Tenant shall not have to pay Minimum Monthly Rent for the Early Term Period. Tenant agrees to comply with all of such obligations during the Early Term Period. Landlord shall not be required to provide any janitorial service to the Leased Premises during the Early Term Period.

4.4 Intentionally Deleted.

4.5 Disability Access Disclosure Under Section 1938 of the California Civil Code. Landlord makes the following statement in accordance with Section 1938 of the California Civil Code. The Leased Premises have not undergone an inspection by a Certified Access Specialist to determine if the Leased Premises meet all applicable construction related accessibility standards pursuant to Section 55.53 of the California Civil Code. In accordance with the requirements of Section 1938(e) of the California Civil Code, Landlord informs the Tenant of the following:

> A Certified Access Specialist ("**CASp**") can inspect the subject Leased Premises and determine whether the subject Leased Premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject Leased Premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject Leased Premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the subject Leased Premises."

If Tenant desires to obtain such CASp inspection, the CASp party, the scope of the inspection and date such inspection shall be performed shall be subject to the prior written approval of Landlord, which will not be unreasonably withheld. Landlord shall have the right to have a representative present during such inspection. The cost of such inspection shall be paid by Tenant without reimbursement or other payment from Landlord. Any work required to be completed as described in the CASp report shall be performed and paid for by the Tenant. Any CASp inspection report obtained by or provided to Tenant shall be confidential and Tenant shall not disclose such report or the findings in such report to any other party without the prior written consent of Landlord in its sole discretion, except to the extent disclosure is required to parties on a need to know basis only for Tenant to complete repairs and corrections of violations of construction-related accessibility standard that Tenant agrees to make.

ARTICLE 5 MINIMUM MONTHLY RENT

5.1 Payment. Tenant shall pay to Landlord at the address specified in Section 1.1, or at such other place as Landlord may otherwise designate, as "Minimum Monthly Rent" for the Leased Premises the amount specified in Section 1.9 hereof, payable in advance on the first day of each month during the Term of the Lease. If the Term commences on other than the first day of a calendar month, the rent for the first partial month shall be prorated accordingly. All payments of Minimum Monthly Rent (including sums defined as rent in Section 2) shall be in lawful money of the United States, and payable without deduction, offset, counterclaim, prior notice or demand.

5.2 Advance Rent. The first full month's rent shall be paid by Tenant to Landlord upon the execution of this Lease as advance rent, provided, however, that such amount shall be held by applied by Landlord to the first Minimum Monthly Rent due hereunder.

5.3 Intentionally Deleted.

5.4 Electronic Payment. Landlord shall have the right, on not less than thirty (30) days prior written notice to Tenant (the "**Electronic Payment Notice**"), to require Tenant to make subsequent payments of Minimum Monthly Rent and Additional Rent due pursuant to the terms of this Lease by means of a federal funds wire transfer or such other method of electronic funds transfer as may be required by Landlord in its sole and absolute discretion (the "**Electronic Payment**"). The Electronic Payment Notice shall set forth the proper bank ABA number, account number and designation of the account to which such Electronic Payment shall be made. Tenant shall promptly notify Landlord in writing of any additional information that will be required to establish and maintain Electronic Payment from Tenant's bank or financial institution. Landlord shall have the right, after at least thirty (30) days prior written notice to Tenant, to change the name of the depository for receipt of any Electronic Payment and to discontinue payment of any sum by Electronic Payment.

5.5 Use of Lock Box. If Landlord shall direct Tenant to pay rent at a "lockbox" or other depository whereby checks issued in payment of rent are initially cashed or deposited by a person or entity other than Landlord (albeit on Landlord's authority), then (i) Landlord shall not be deemed to have accepted such payment until twenty (20) days after the date on which Landlord shall have actually received such funds, and (ii) Landlord shall be deemed to have accepted such payment if (and only if) within said twenty (20) day period, Landlord shall not have refunded (or attempted to refund) such payment to Tenant. Nothing in the preceding sentence shall be construed to place Tenant in default of Tenant's obligation to pay rent or subject Tenant to any late charge if Tenant shall timely pay the rent in the manner designated by Landlord to the lock box.

ARTICLE 6 ADDITIONAL RENT

6.1 Personal Property, Gross Receipts, Leasing Taxes. This section is intended to deal with impositions or taxes directly attributed to Tenant or this transaction, as distinct from taxes attributable to the Building or Common Areas of the Complex which are to be allocated among various tenants and others. Tenant shall pay before delinquency any and all taxes, assessments, license fees and public charges levied, assessed or imposed against Tenant or Tenant's estate in this Lease or the property of Tenant situated within the Leased Premises which become due during the Term. On demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of these payments. If such taxes are included in the bill for the Real Estate Taxes for the Building or Complex, then Tenant shall pay to Landlord as additional rent the amount of such taxes within thirty (30) days after demand from Landlord.

6.2 Operating Costs, Taxes and Insurance.

(a) Base Year Increases. If the Operating Costs and/or Taxes for any Lease Year, calculated on the basis of the greater of (i) actual Operating Costs and Taxes; or (ii) as if the Complex were at least one hundred percent (100%) occupied and operational for the whole of such Lease Year, are more than the applicable Base Year Costs for Base Operating Costs and Base Taxes as set forth in section 1.10 (with Base Operating Costs and Base Taxes being calculated separately), Tenant shall pay to Landlord its Proportionate Share of any such increase in Operating Costs and/or Taxes, as the case may be, as additional Rent as hereinafter provided.

(b) Partial Year. If any Lease Year of less than twelve (12) months is included within the Term, the amount payable by Tenant for such period shall be prorated on a per diem basis (utilizing a thirty (30) day month, three hundred sixty (360) day year).

(c) Special Warranty Period. Landlord agrees that the cost to make repairs to the base Building plumbing, electrical, heating, ventilation and air-conditioning and life safety systems (collectively, the "**Base Operating Systems**") during the first eighteen (18) months following the Commencement Date (the "**Special Warranty Period**") shall not be included in Operating Costs or in the Base Operating Costs. However, the cost to maintain and make periodic inspections and maintenance of any of the Base Operating Systems shall be included in Operating Costs. Notwithstanding the foregoing, Tenant shall pay for cost of any repair, including any repair during the Special Warranty Period, if such repair is required due to the negligence, fault of misuse by Tenant any of its employees, agents or contractors or any alteration made by Tenant to the Leased Premises.

6.3 Method of Payment. Any additional Rent payable by Tenant under Sections 6.1 and 6.2 hereof shall be paid as follows, unless otherwise provided:

(a) Estimated Monthly. During the Term, Tenant shall pay to Landlord monthly in advance on the first day of each month, in addition to payment of Minimum Monthly Rent, one-twelfth (1/12th) of the amount of such additional Rent as estimated by Landlord in advance, in good faith, to be due from Tenant. If at any time during the course of the Lease Year, Landlord determines that Operating Costs and/or Taxes are projected to vary from the then estimated costs for such items by more than ten percent (10%), Landlord may, by written notice to Tenant, revise the estimated Operating Costs and/or Taxes for the balance of such Lease Year, and Tenant's monthly installments for the remainder of such year shall be adjusted so that by the end of such Lease Year Tenant will have paid to Landlord Tenant's Proportionate Share of the such revised expenses for such year.

(b) Annual Reconciliation. Annually, as soon as is reasonably possible after the expiration of each Lease Year but in all events no later than June 1, Landlord shall prepare in good faith and deliver to Tenant a comparative statement (the "**Annual Statement**"), setting forth (1) the Operating Costs, Taxes and Insurance Costs for such Lease Year, (2) the Operating Costs, Taxes and Insurance Costs for the Base Year, and (3) the amount of additional Rent as determined in accordance with the provisions of this Article 6. Notwithstanding anything to the contrary in this Article 6, Tenant shall not be responsible for Tenant's Share of Operating Costs or Taxes attributable to any calendar year which are first billed to Tenant more than twenty-four (24) months after the expiration of the applicable calendar year, except for any bills from any governmental authority or agency that are not received by Landlord until after twenty-three (23) months after the expiration of the applicable calendar year.

(c) Adjustment. If the aggregate amount of such estimated additional Rent payments made by Tenant in any Lease Year should be less than the additional Rent due for such year as shown on the subject Annual Statement, then Tenant shall pay to Landlord as additional Rent within thirty (30) days following Tenant's receipt of the Annual Statement the amount of such deficiency. If the aggregate amount of such additional Rent payments made by Tenant in any Lease Year of the Term should be greater than the additional Rent due for such year as shown on such Annual Statement, then should Tenant not be otherwise in default hereunder beyond any applicable notice and cure period, the amount of such excess will be applied by Landlord to the next succeeding installments of such additional Rent due hereunder; and if there is any such excess for the last year of the Term, the amount thereof will be refunded by Landlord to Tenant within thirty (30) days of the last day of the Term, provided Tenant is not otherwise in default under the terms of this Lease.

(d) Inspection. Tenant shall have the right at its own expense to inspect the books and records of Landlord pertaining to Operating Costs and Taxes once in any calendar year by any employee of Tenant or by a certified public accountant mutually acceptable to Landlord and Tenant (provided such certified public accountant charges for its service on an hourly basis and not based on a percentage of any recovery or similar incentive method) at reasonable times,

and upon reasonable written notice to Landlord as hereinafter provided. Tenant's right to inspect such books and records is conditioned upon Tenant first paying Landlord the full amount billed by Landlord. Within one hundred and twenty (120) days after receipt of Landlord's Annual Statement, Tenant shall have the right, after at least thirty (30) days prior written notice to Landlord, to inspect at the offices of Landlord or its property manager, the books and records of Landlord pertaining solely to the Operating Costs and Taxes for the Base Year and the applicable calendar year covered in such Annual Statement; provided, however, that Tenant must request to review the records for the Base Year not later than the time required for the review of the records for the Annual Statement for the first year after the Base Year. All expenses of the inspection shall be borne by Tenant and must be completed within twenty (20) days after commencement of such inspection. If Tenant's inspection reveals a discrepancy in the Annual Statement, Tenant shall deliver a copy of the inspection report and supporting calculations to Landlord within thirty (30) days after completion of the inspection. If Tenant and Landlord are unable to resolve the discrepancy within thirty (30) days after Landlord's receipt of the inspection report, either party may upon written notice to the other have the matter decided by an inspection by an independent certified public accounting firm approved by Tenant and Landlord (the "**CPA Firm**"), which approval shall not be unreasonably withheld or delayed. If the inspection by the CPA Finn shows that the actual aggregate amount of Operating Costs and Taxes payable by Tenant is greater than the amount previously paid by Tenant for such accounting period, Tenant shall pay Landlord the difference within thirty (30) days. If the inspection by the CPA Finn shows that the actual applicable amount is less than the amount paid by Tenant, then the difference shall be applied in payment of the next estimated monthly installments of Operating Costs owing by Tenant, or in the event such accounting occurs following the expiration of the Term hereof, such difference shall be refunded to Tenant within thirty (30) days following the determination by the CPA Finn. Tenant shall pay for the cost of the inspection by the CPA Finn, unless such inspection shows that Landlord overstated the aggregate amount of Operating Costs and Taxes owed by Tenant by more than five percent (5%), in which case Landlord shall pay for the cost of the inspection by the CPA Finn.

Tenant acknowledges and agrees that any information revealed in the above described inspection may contain proprietary and sensitive information and that significant damage could result to Landlord if such information were disclosed to any party other than Tenant's auditors. Tenant shall not in any manner disclose, provide or make available any information revealed by the inspection to any person or entity other than its accountants, attorneys and financial advisers without Landlord's prior written consent, which consent may be withheld by Landlord in its sole and absolute discretion.

ARTICLE 7 ACCORD AND SATISFACTION

7.1 Acceptance of Payment. No payment by Tenant or receipt by Landlord of a lesser amount of Minimum Monthly Rent or any other sum due hereunder, shall be deemed to be other than on account of the earliest due rent or payment, nor shall any endorsement or statement on any check or any letter accompanying any such check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or payment or pursue any other remedy available in this Lease, at law or in equity. Landlord may accept any partial payment from Tenant without invalidation of any contractual notice required to be given herein (to the extent such contractual notice is required) and without invalidation of any notice required to be given pursuant to California Code of Civil Procedure Section 1161, et seq., or of any successor statute thereto.

ARTICLE 8 LETTER OF CREDIT

8.1 Letter of Credit. Within ten (10) days following the fall execution of this Lease, Tenant shall deliver to Landlord, as protection for the fall and faithful performance by Tenant of all of its obligations under this Lease and for all losses and damages Landlord may suffer (or that Landlord reasonably estimates it may suffer) as a result of any breach, default or failure to perform by Tenant under this Lease, an irrevocable and unconditional negotiable standby Letter of Credit, in a form that is acceptable to Landlord, payable at an office in the San Francisco Bay Area, California, running in favor of Landlord and issued by a solvent, nationally recognized bank with a short term Fitch Rating of not lower than FI or higher and a long term Fitch Rating of A or higher (or in the event such Fitch Ratings are no longer available, a comparable rating from Standard and Poor's Professional Rating Service or Moody's Professional Rating Service), under the supervision of the Superintendent of Banks of the State of California, or a national banking association (an "**Acceptable Issuing Bank**"), in the amount provided in Section 1.11 as the Letter of Credit Amount ("**Letter of Credit**"). Landlord hereby approves Silicon Valley Bank as an Acceptable Issuing Bank. Tenant shall pay all expenses, points, or fees incurred by Tenant in obtaining the Letter of Credit and any replacement Letter of Credit. The form and terms of the Letter of Credit and the bank issuing the same (the "**Bank**") shall be subject to Landlord's prior written approval. Landlord hereby approves the form of Letter of Credit from Silicon Valley Bank attached hereto as Exhibit F. If an Acceptable Issuing Bank is declared insolvent or taken over by the Federal Deposit Insurance Corporation or any governmental agency for any reason or does not meet the standards to be approved an Acceptable Issuing Bank, Tenant shall deliver a replacement Letter of Credit from another Bank

approved by Landlord that meets the standards for an Acceptable Issuing Bank within the earlier of (i) thirty (30) days after notice from Landlord that the Bank does not meet the standard for an Acceptable Issuing Bank, or (ii) the date the Bank is declared insolvent or taken over for any reason by the Federal Deposit Insurance Corporation or any other governmental agency.

In addition, the Letter of Credit shall expressly provide for the following:

(1) shall be "callable" at sight, irrevocable, and unconditional;

(2) shall be maintained in effect, whether through renewal or extension, for the period from the date of this Lease and continuing until the date (the "**Letter of Credit Expiration Date**") that is sixty (60) days after the expiration of the Term (as the Term may be extended). The Letter of Credit may be for one year period, provided the Letter of Credit is automatically extended for not less than a one year period unless the issuing Bank provides written notice to Landlord not less than sixty (60) days prior to the then expiration date of the Letter of Credit that the issuing Bank will not renew or extend the Letter of Credit, in which case Tenant shall deliver to Landlord a replacement Letter of Credit not less than thirty (30) days prior to the scheduled expiration date of the then existing Letter of Credit held by Landlord without any action whatsoever on the part of Landlord;

(3) shall be fully assignable by Landlord, its successors, and assignees of its interest in the Complex in connection with Landlord's sale or financing of the Building and Complex;

(4) shall permit partial draws and multiple presentations and drawings; and

(5) shall be otherwise subject to the Uniform Customs and Practices for Documentary Credits, International Chamber of Commerce Publication No. 600 (UCP600), or the International Standby Practices-ISP 98, International Chamber of Commerce Publication No. 590 (1998).

(a) **Transfers**. The Letter of Credit shall also provide that Landlord, its successors, and assigns, may, at any time and without notice to Tenant and without first obtaining Tenant's consent, transfer (one or more times) all of its interest in and to the Letter of Credit to another party, person, or entity, provided such transferee is the assignee of the Landlord's rights and interests in and to this Lease, or to any lender providing financing to Landlord. In the event of a transfer of Landlord's interest in the Building, Landlord shall transfer the Letter of Credit, in its entirety, to the transferee and following such transfer Landlord shall be released by Tenant from all liability therefor. It is agreed that the provisions of this Section shall apply to every transfer or assignment of the Letter of Credit to a new landlord. In connection with any such transfer of the Letter of Credit by Landlord, Tenant shall execute and submit to the Bank such applications, documents, and instruments as may be necessary to effectuate such transfer, and Tenant shall be responsible for paying the Bank's transfer and processing fees in connection with any such transfer.

(b) **Restoration**. If, as a result of any drawing by Landlord on the Letter of Credit, the amount of the Letter of Credit shall be less than the Letter of Credit Amount, Tenant shall, within ten (10) business days after the drawdown by Landlord, take such actions as are required to restore the Letter of Credit Amount, which may include, but is not limited to, providing Landlord with additional Letter(s) of Credit in an amount equal to the deficiency or provide a replacement Letter of Credit for the full Letter of Credit Amount, provided such additional Letter(s) of Credit or replacement Letter of Credit comply with the applicable requirements of the Article 8 of this Lease. If Tenant fails to comply with this requirement, such failure shall be deemed an incurable default by Tenant under the Lease without any further right to cure, provided that if Landlord is prevented from delivering a notice of default to Tenant or otherwise declaring a default by Tenant for any reason, including, without limitation, because Tenant has filed a voluntary petition, or an involuntary petition has been filed against Tenant, under the U.S. Bankruptcy Code or other insolvency law (the "**Bankruptcy Code**"), then no such notice or declaration of default shall be required for a default under this Lease.

(c) **Renewals**. Tenant covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part of it and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment, or attempted encumbrance. Without limiting the generality of the foregoing, if the Letter of Credit expires earlier than the Letter of Credit Expiration Date, Landlord will accept a renewal of the letter of credit (such renewal letter of credit to be in effect and delivered to Landlord, as applicable, not later than thirty (30) days before the expiration of the Letter of Credit), which shall be irrevocable and automatically renewable as required in Article 8 of this Lease through the Letter of Credit Expiration Date on the same terms as the expiring Letter of Credit or such other terms as may be acceptable to Landlord in its sole discretion. However, if the Letter of Credit is not timely renewed, or if Tenant fails

to maintain the Letter of Credit in the amount and in accordance with the terms set forth in Article 8 of this Lease, Landlord shall have the right to present the Letter of Credit to the Bank in accordance with the terms of Article 8 of this Lease and the proceeds of the Letter of Credit may be applied by Landlord against any Rent payable by Tenant under this Lease that is not paid when due and to pay for all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any breach or default by Tenant under this Lease. Any unused proceeds shall be deemed held by Landlord as security in accordance with applicable laws, but need not be segregated from Landlord's other assets. Landlord agrees to pay to Tenant within sixty (60) days after the Letter of Credit Expiration Date the amount of any proceeds of the Letter of Credit received by Landlord and not applied against any Rent payable by Tenant under this Lease that was not paid when due or used to pay for any losses and damages suffered by Landlord (or reasonably estimated by Landlord that it will suffer) as a result of any breach or default by Tenant under this Lease; provided, however, that if before the Letter of Credit Expiration Date a voluntary petition is filed by Tenant, or an involuntary petition is filed against Tenant by any of Tenant's creditors, under the Bankruptcy Code, then Landlord shall not be obligated to make such payment in the amount of the unused Letter of Credit proceeds until either all preference issues relating to payments under this Lease have been resolved in such bankruptcy or reorganization case or such bankruptcy or reorganization case has been dismissed.

(d) **Draws**. Tenant acknowledges and agrees that Landlord is entering into this Lease in material reliance on the ability of Landlord to draw on the Letter of Credit on the occurrence of any breach, default or failure to perform on the part of Tenant under this Lease, following notice to Tenant and expiration of the applicable cure period, provided that if Landlord is prevented from delivering a notice of default to Tenant or otherwise declaring a default by Tenant for any reason, including, without limitation, because Tenant has filed a voluntary petition, or an involuntary petition has been filed against Tenant, under the Bankruptcy Code or other insolvency law, then no such notice or declaration of default or cure period shall be required for Landlord to make a draw on the Letter of Credit. If Tenant shall breach or fail to perform any provision of this Lease or otherwise be in default under this Lease, Landlord may, but without obligation to do so, and without notice to Tenant, draw on the Letter of Credit, in part or in whole, to cure any breach or default of Tenant and to compensate Landlord for any and all damages of any kind or nature sustained or which Landlord reasonably estimates that it will sustain resulting from Tenant's breach or default, including any damages that accrue upon termination of the Lease under the Lease and/or Section 1951.2 of the California Civil Code or any similar provision. The use, application, or retention of any proceeds of the Letter of Credit, or any portion of it, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Lease or by any applicable federal, state or local law, it being intended that Landlord shall not first be required to proceed against the Letter of Credit, and shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the Letter of Credit, following a draw properly made by Landlord of any portion of the Letter of Credit. No condition or term of this Lease shall be deemed to render the Letter of Credit conditional to justify the issuer of the Letter of Credit in failing to honor a drawing on such Letter of Credit in a timely manner. Tenant agrees and acknowledges that (1) the Letter of Credit constitutes a separate and independent contract between Landlord and the Bank; (2) Tenant is not a third party beneficiary of such contract; (3) Tenant has no property interest whatsoever in the Letter of Credit; and (4) if Tenant becomes a debtor under any chapter of the Bankruptcy Code, neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim or rights to the Letter of Credit by application of the Bankruptcy Code or otherwise.

In addition, Landlord, or its then managing agent, shall have the right to draw down an amount up to the face amount of the Letter of Credit if any of the following shall have occurred or be applicable:

(1) Landlord certifies that such amount is due to Landlord under the terms and conditions of this Lease;

(2) Tenant or any guarantor of Tenant's obligations under this Lease has filed a voluntary petition under any chapter of the U.S. Bankruptcy Code or any similar state law (collectively, the "**Bankruptcy Code**")**;**

(3) Tenant or any guarantor of Tenant's obligations under this Lease has assigned any or all of its assets to creditors in accordance with any federal or state laws;

(4) an involuntary petition has been filed against Tenant or any guarantor of Tenant's obligations under this Lease under any chapter of the Bankruptcy Code, which petition is not dismissed within sixty (60) days after the date it is filed; provided, however, that if Tenant is still operating its business in the Leased Premises and this Lease has not been terminated, Landlord may draw upon the Letter of Credit only to the extent such amount is due Landlord under the terms of this Lease or any Lease guarantee; or

(5) the Bank has notified Landlord that the Letter of Credit will not be renewed or extended through the Letter of Credit Expiration Date; or

(6) the Bank does not meet the standard for an Acceptable Issuing Bank and Tenant has not delivered a replacement Letter of Credit from an Acceptable Issuing Bank within the earlier of (i) thirty (30) days after notice from Landlord that the Bank does not meet the standard for an Acceptable Issuing Bank, or (ii) the date the Bank is declared insolvent or taken over for any reason by the Federal Deposit Insurance Corporation or any other governmental agency.

The Bank will honor the Letter of Credit regardless of whether Tenant disputes Landlord's right to draw on the Letter of Credit.

(e) **Replacement**. Tenant may, from time to time, replace any existing Letter of Credit with a new Letter of Credit if the new Letter of Credit:

(1) Becomes effective at least 30 days before expiration of the Letter of Credit that it replaces;

(2) Is in the applicable Letter of Credit Amount;

(3) Is issued by an Acceptable Issuing Bank or a Bank otherwise acceptable to Landlord in its sole discretion; and

(4) Otherwise complies with the requirements of Article 8 of this Lease.

(f) **Not a Security Deposit**. Landlord and Tenant acknowledge and agree that in no event or circumstance shall the Letter of Credit or any renewal of it or any proceeds applied by Landlord as provided in this Lease be (1) deemed to be or treated as a "security deposit" within the meaning of California Civil Code Section 1950.7, (2) subject to the terms of Section 1950.7, or (3) intended to serve as a "security deposit" within the meaning of Section 1950.7. Landlord and Tenant (1) agree that Section 1950.7 and any and all other laws, rules, and regulations applicable to security deposits in the commercial context ("**Security Deposit Laws**") shall have no applicability or relevancy to the Letter of Credit, and (2) waive any and all rights, duties, and obligations either party may now or in the future have relating to or arising from the Security Deposit Laws. Tenant hereby irrevocably waives and relinquishes the provisions of Section 1950.7 of the California Civil Code and any successor statute, and all other provisions of law, now or hereafter in effect, which (x) establish the time frame by which a landlord must refund a security deposit under a lease, and/or (y) provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a tenant or to clean the premises, it being agreed that Landlord may, in addition, claim those sums specified in Article 8 of this Lease and/or those sums reasonably necessary to (1) compensate Landlord for any loss or damage caused by Tenant's breach of this Lease, including any damages Landlord suffers following termination of this Lease, and/or (2) compensate Landlord for any and all damages arising out of, or incurred in connection with, the termination of this Lease, including, without limitation, those specifically identified in Section 1951.2 of the California Civil Code.

(g) Non-Interference By Tenant. Tenant agrees not to interfere in any way with any payment to Landlord of the proceeds of the Letter of Credit, either prior to or following a "draw" by Landlord of all or any portion of the Letter of Credit, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw down all or any portion of the Letter of Credit. No condition or term of this Lease shall be deemed to render the Letter of Credit conditional and thereby afford the Bank a justification for failing to honor a drawing upon such Letter of Credit in a timely manner. Tenant shall not request or instruct the Bank of any Letter of Credit to refrain from paying sight draft(s) drawn under such Letter of Credit.

(h) Remedy for Improper Drafts; Refund of Amounts Not Applied. Tenant's sole remedy in connection with the improper presentment or payment of sight drafts drawn under any Letter of Credit shall be the right to obtain from Landlord a refund of the amount of any sight draft(s) that were improperly presented or the proceeds of which were misapplied, together with interest and reasonable actual out-of-pocket attorneys' fees, provided that at the time of such refund, Tenant increases the amount of such Letter of Credit to the amount (if any) then required under the applicable provisions of this Lease. If, following a draw by Landlord on the Letter of Credit and application of the proceeds of same to the extent permitted by the foregoing provisions of this Article 8 of this Lease, excess funds remain after the expiration or termination of this Lease, then Landlord shall refund such amounts to Tenant within sixty (60) days unless any provision of Article 8 of this Lease permits Landlord to retain such amounts.

8.2 Reduction in Letter of Credit. Notwithstanding anything herein to the contrary, provided that no event of default by Tenant under this Lease is then outstanding, or event which with the passage of time or notice or both would constitute an event of default by Tenant, then Tenant shall be permitted to reduce the amount of the Letter of Credit upon the expiration of the twenty-fourth (24th) full calendar month of the Term by $146,265.00, so that the amount of the Letter of Credit remaining after such reduction shall be $146,265.00. Subject to satisfaction of the conditions set forth in the first sentence of this Section 8.2, the amount of the Letter of Credit may be reduced by Tenant's delivery of a written notice to Landlord requesting a reduction in the amount of the Letter of Credit as provided in the foregoing sentence and Landlord shall cooperate with Tenant in executing any paperwork required by the Bank to effect such reduction. Tenant shall pay any fees charged by the issuing bank to amend the existing Letter of Credit or to issue a new Letter of Credit.

ARTICLE 9 USE

9.1 Permitted Use. The Leased Premises may be used and occupied only for the purposes specified in Section 1.12 hereof, and for no other purpose or purposes. Tenant shall promptly comply with all laws, ordinances, orders and regulations affecting the Leased Premises, their cleanliness, safety, occupation and use. Tenant shall not use, or permit to be used, the Leased Premises in any manner that will disturb any other tenant in the Building or Complex, or obstruct or interfere with the rights of other tenant or occupants of the Building or Complex, or injure or annoy them or create any unreasonable smells, noise or vibrations (taking into account the nature and tenant-mix of the Building). Tenant shall not do, permit or suffer in, on, or about the Leased Premises the sale of any alcoholic liquor without the written consent of Landlord first obtained. Tenant shall not allow the Leased Premises to be used for any improper, immoral, unlawful or objectionable purpose.

9.2 Safes, Heavy Equipment. Tenant shall not place a load upon any floor of the Leased Premises which exceeds the lesser of fifty (50) pounds per square foot live load or such other amount specified in writing by Landlord from time to time. Landlord reserves the right to prescribe the weight and position of all safes and heavy installations which Tenant wishes to place in the Leased Premises so as properly to distribute the weight thereof, or to require plans prepared by a qualified structural engineer at Tenant's sole cost and expense for such heavy objects. Notwithstanding the foregoing, Landlord shall have no liability for any damage caused by the installation of such heavy equipment or safes.

9.3 Machinery. Business machines and mechanical equipment belonging to Tenant which cause noise and/or vibration that may be transmitted to the structure of the Building or to any other leased space to such a degree as to be objectionable to Landlord or to any tenants in the Complex shall be placed and maintained by the party possessing the machines or equipment, at such party's expense, in settings of cork, rubber or spring type noise and/or vibration eliminators, and Tenant shall take such other measures as needed to eliminate vibration and/or noise. If the noise or vibrations cannot be eliminated, Tenant must remove such equipment within ten (10) days following written notice from Landlord.

9.4 Waste or Nuisance. Tenant shall not commit, or suffer to be committed, any waste upon the Leased Premises, or any nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant or occupant of the Complex in which the Leased Premises are located.

9.5 Access. Tenant shall have access to the Leased Premises twenty-four hours a day, seven days a week, subject to any security requirements and regulations that may be in effect at the time. Tenant acknowledges and agrees that it shall use the card-key system currently in place for entry into the Building and into the Leased Premises.

ARTICLE 10 COMPLIANCE WITH LAWS AND REGULATIONS

10.1 Compliance Obligations. Subject to Landlord's obligation to perform the Code Work (as defined in Section 10.2 below), Tenant shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the Leased Premises, and shall faithfully observe in the use or occupancy of the Leased Premises all municipal ordinances and state and federal statutes, laws and regulations now or hereafter in force, including, without limitation, the "Environmental Laws" (as hereinafter defined), and the Americans with Disabilities Act, 42 U.S.C. §§ 12101-12213 (and any rules, regulations, restrictions, guidelines, requirements or publications promulgated or published pursuant thereto), whether or not any of the foregoing were foreseeable or unforeseeable at the time of the execution of this Lease. Tenant's obligation to comply with and observe such requirements, ordinances, statutes and regulations shall apply regardless of whether such requirements, ordinances, statutes and regulations regulate or relate to Tenant's particular use of the Leased Premises or regulate or relate to the use of premises in general, and regardless of the cost thereof. The judgment of any court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that any such requirement, ordinance, statute or regulation pertaining to the Leased Premises has been violated, shall be conclusive of that fact as between Landlord and Tenant.

10.2 Condition of Leased Premises. Tenant hereby accepts the Leased Premises in the condition existing as of the Delivery Date, subject to all applicable zoning, municipal, county and state laws, ordinances, rules, regulations, orders, restrictions of record, and requirements in effect during the Term or any part of the Term hereof regulating the Leased Premises, and without representation, warranty or covenant by Landlord, express or implied, as to the condition, habitability or safety of the Leased Premises, the suitability or fitness thereof for their intended purposes, or any other matter. Notwithstanding the foregoing, Landlord shall be responsible, at Landlord's sole cost and expense, to the extent such compliance is required in order to allow the Leased Premises to be used for general office use, to cause the "path of travel" to the Leased Premises (i.e., the through the Common Areas of the Building starting from the entrance of the Building and ending at the main entrance to the Leased Premises) to comply with applicable building codes and other governmental laws, ordinances and regulations related to handicap access, as enacted and enforced as of the Commencement Date, including accessibility standards and the Americans with Disabilities Act, to the extent such work is required by the local governmental authority as of the date of this Lease (collectively, the "**Code Work**").

10.3 Hazardous Materials.

(a) Hazardous Materials. As used herein, the term "**Hazardous Materials**" shall mean any wastes, materials or substances (whether in the form of liquids, solids or gases, and whether or not air-borne), which are or are deemed to be (i) pollutants or contaminants, or which are or are deemed to be hazardous, toxic, ignitable, reactive, corrosive, dangerous, harmful or injurious, or which present a risk to public health or to the environment, or which are or may become regulated by or under the authority of any applicable local, state or federal laws, judgments, ordinances, orders, rules, regulations, codes or other governmental restrictions, guidelines or requirements, any amendments or successor(s) thereto, replacements thereof or publications promulgated pursuant thereto, including, without limitation, any such items or substances which are or may become regulated by any of the Environmental Laws (as hereinafter defined); (ii) listed as a chemical known to the State of California to cause cancer or reproductive toxicity pursuant to the California Health and Safety Code; or (iii) a pesticide, petroleum, including crude oil or any fraction thereof, asbestos or an asbestos-containing material, a polychlorinated biphenyl, radioactive material, or urea formaldehyde.

(b) Environmental Laws. In addition to the laws referred to in section 10.3(a) above, the term "**Environmental Laws**" shall be deemed to include, without limitation, all local, state and federal laws, judgments, ordinances, orders, rules, regulations, codes and other governmental restrictions, guidelines and requirements, any amendments and successors thereto, replacements thereof and publications promulgated pursuant thereto, which deal with or otherwise in any manner relate to, air or water quality, air emissions, soil or ground conditions or other environmental matters of any kind.

(c) Use of Hazardous Materials. Tenant agrees that during the Term of this Lease, there shall be no use, presence, disposal, storage, generation, leakage, treatment, manufacture, import, handling, processing, release, or threatened release of Hazardous Materials on, from or under the Leased Premises (individually and collectively, "**Hazardous Use**") except to the extent that, and in accordance with such conditions as, Landlord may have previously approved in writing in its sole and absolute discretion. However, without the necessity of obtaining such prior written consent, Tenant shall be entitled to use and store only those Hazardous Materials which are (i) typically used in the ordinary course of business in an office for use in the manner for which they were designed and in such limited amounts as may be normal, customary and necessary for Tenant's business in the Leased Premises, and (ii) in full compliance with Environmental Laws, and all judicial and administrative decisions pertaining thereto. For the purposes of this Section 10.3(c), the term Hazardous Use shall include Hazardous Use(s) on, from or under the Leased Premises by Tenant or any of its directors, officers, employees, shareholders, partners, invitees, agents, contractors or occupants (collectively, "**Tenant's Parties**"), whether known or unknown to Tenant, and whether occurring and/or existing during or prior to the commencement of the Term of this Lease.

(d) Compliance. Tenant agrees that during the Term of this Lease Tenant shall not be in violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene, soil, water, or environmental conditions on, under or about the Leased Premises including, but not limited to, the Environmental Laws.

(e) Inspection and Testing by Landlord. Landlord shall have the right at all times during the term of this Lease to (i) inspect the Leased Premises and to (ii) conduct tests and investigations to determine whether Tenant is in compliance with the provisions of this Section. Except in case of emergency, Landlord shall give reasonable notice (no less than 2 business days) to Tenant before conducting any inspections, tests, or investigations. The cost of all such inspections, tests and investigations shall be borne by Tenant if Tenant is in breach of Section 10.3 of this Lease. Neither any action nor inaction on the part of Landlord pursuant to this Section 10.3(e) shall be deemed in any way to release Tenant from, or in any way modify or alter, Tenant's responsibilities, obligations, and/or liabilities incurred pursuant to Section 10.3 hereof.

10.4 Indemnity. Tenant shall indemnify, hold harmless, and, at Landlord's option (with such attorneys as Landlord may approve in advance and in writing), defend Landlord and Landlord's officers, directors, shareholders, partners, members, managers, employees, contractors, property managers, agents and mortgagees and other lien holders, from and against any and all "Losses" (hereinafter defined) arising from or related to: (a) any violation by Tenant or any of Tenant's Parties of any of the requirements, ordinances, statutes, regulations or other laws referred to in this Article 10, including, without limitation, the Environmental Laws; (b) any breach of the provisions of this Article 10 by Tenant or any of Tenant's Parties; or (c) any Hazardous Use by Tenant or any Tenant Parties on, about or from the Leased Premises of any Hazardous Material approved by Landlord under this Lease. The term "**Losses**" shall mean all claims, demands, expenses, actions, judgments, damages (whether consequential, direct or indirect, known or unknown, foreseen or unforeseen), penalties, fines, liabilities, losses of every kind and nature (including, without limitation, property damage, diminution in value of Landlord's interest in the Leased Premises or the Complex, damages for the loss or restriction on use of any space or amenity within the Building or the Complex, damages arising from any adverse impact on marketing space in the Complex, sums paid in settlement of claims and any costs and expenses associated with injury, illness or death to or of any person), suits, administrative proceedings, costs and fees, including, but not limited to, attorneys' and consultants' fees and expenses, and the costs of cleanup, remediation, removal and restoration, that are in any way related to any matter covered by the foregoing indemnity. Tenant's indemnity obligations shall not include any Hazardous Materials that were located at the Leased Premises or the Complex on the Delivery Date, nor any Hazardous Materials placed on the Leased Premises or the Complex by Landlord, its employees, agents, or contractors or any other third party.

ARTICLE 11 SERVICE AND EQUIPMENT

11.1 Climate Control. Landlord shall provide climate control to the Leased Premises from 7:00 a.m. to 6:00 p.m. (the "**Climate Control Hours**") on weekdays (Saturdays, Sundays and holidays excepted) to maintain a temperature adequate for comfortable occupancy, provided that Landlord shall have no responsibility or liability for failure to supply climate control service when making repairs, alterations or improvements or when prevented from so doing by strikes or any cause beyond Landlord's reasonable control. Any climate control furnished for periods not within the Climate Control Hours pursuant to Tenant's request shall be at Tenant's sole cost and expense in accordance with rate schedules promulgated by Landlord from time to time. Upon request, Landlord shall advise Tenant of the then current rate schedule. Tenant acknowledges that Landlord has installed in the Building a system for the purpose of climate control. Any use of the Leased Premises not in accordance with the design standards or any arrangement of partitioning which interferes with the normal operation of such system may require changes or alterations in the system or ducts through which the climate control system operates. Any changes or alterations so occasioned, if such changes can be accommodated by Landlord's equipment, shall be made by Tenant at its cost and expense but only with the written consent of Landlord first had and obtained, and in accordance with drawings and specifications and by a contractor first approved in writing by Landlord. If installation of partitions, equipment or fixtures by Tenant necessitates the re-balancing of the climate control equipment in the Leased Premises, the same will be performed by Landlord at Tenant's expense. Tenant acknowledges that up to six (6) months may be required after Tenant has fully occupied the Leased Premises in order to adjust and balance the climate control systems. Any charges to be paid by Tenant hereunder shall be due within thirty (30) days of receipt of an invoice from Landlord, which invoice may precede Landlord's expenditure for the benefit of Tenant.

11.2 Elevator Service. Landlord shall provide elevator service.

11.3 Cleaning Public Areas. Landlord shall maintain and keep clean the street level lobbies, sidewalks, truck dock, public corridors and other public portions and Common Areas of the Building.

11.4 Refuse Disposal. Tenant shall pay Landlord, within thirty (30) days of being billed therefor, for the removal from the Leased Premises and the Building of such refuse and rubbish of Tenant as shall exceed that ordinarily accumulated daily in the routine of a reasonable office.

11.5 Janitorial Service. Landlord shall provide cleaning and janitorial service in and about the Complex and Leased Premises five days a week (which is currently scheduled for Sunday through Thursday, holidays excepted, subject to change by Landlord) in accordance with commercially reasonable standards in an office building in the city in which the Building is located.

11.6 Special Cleaning Service. To the extent that Tenant shall require special or more frequent cleaning and/or janitorial service (hereinafter referred to as "**Special Cleaning Service**") Landlord may, upon reasonable advance notice from Tenant, elect to furnish such Special Cleaning Service and Tenant agrees to pay Landlord, within thirty (30) days of being billed therefor, Landlord's charge for providing such additional service. Special Cleaning Service shall include but shall not be limited to the following to the extent such services are beyond those typically provided pursuant to section 11.5 above:

(a) The cleaning and maintenance of Tenant eating facilities other than the normal and ordinary cleaning and removal of garbage, which special cleaning service shall include, without limitation, the removal of dishes, utensils and excess garbage; it being acknowledged that normal and ordinary cleaning service does not involve placing dishes, glasses and utensils in the dishwasher, cleaning any coffee pot or other cooking mechanism or cleaning the refrigerator or any appliances;

(b) The cleaning and maintenance of Tenant computer centers, including peripheral areas other than the normal and ordinary cleaning and removal of garbage if Tenant so desires;

(c) The cleaning and maintenance of special equipment areas, locker rooms, and medical centers;

(d) The cleaning and maintenance in areas of special security; and

(e) The provision of consumable supplies for private toilet rooms.

11.7 Electrical. During the Term of this Lease, there shall be available to the Leased Premises electricity currently available to the Leased Premises for Tenant to use of the Leased Premises for normal office use, with not less than (a) the connected electrical load for lighting not to exceed an average of one watt per usable square foot in the Lease Premises during the Climate Control Hours on a monthly basis, and (b) the connected electrical load for all other power purposes not to exceed an average of two (2) watts per usable square foot in the lease Premises during the Climate Control Hours on a monthly basis (the "**Electric Standard**"). Tenant agrees not to use any apparatus or device in, upon or about the Leased Premises which will increase the amount of such electricity furnished or supplied to the Leased Premises beyond the Electric Standard, and Tenant further agrees not to connect any apparatus or device to the wires, conduits or pipes or other means by which such electricity is supplied, for the purpose of using additional or unusual amounts of electricity, without the prior written consent of Landlord. At all times, Tenant's use of electric current shall never exceed Tenant's share of the capacity of the feeders to the Building or the risers or wiring installation, which capacity Landlord shall cause to be sufficient to meet the Electric Standard. Tenant shall not install or use or permit the installation or use in the Leased Premises of any computer or electronic data processing or ancillary equipment or any other electrical apparatus designed to operate on electrical current in excess of the Electric Standard, without the prior written consent of Landlord, which may be exercised in Landlord's sole and absolute discretion. If Tenant shall require electrical current in excess of the Electric Standard, Tenant shall first procure the written consent of Landlord (which shall not be unreasonably withheld, conditioned or delayed) to the use thereof and Landlord or Tenant may (i) cause a meter to be installed in or for the Leased Premises, or (ii) if Tenant elects not to install said meter, Landlord may reasonably estimate such excess electrical current. The cost of any meters (including, without limitation, the cost of any installation) or surveys to estimate such excess electrical current requested by Tenant shall be paid by Tenant. Landlord's approval of any space plan, floor plan, construction plans, specifications, or other drawings or materials regarding the construction of the Tenant Improvements or any Alterations shall not be deemed or construed as consent by Landlord under this paragraph to Tenant's use of such excess electrical current as provided above. Tenant agrees to pay to Landlord, promptly within thirty (30) days after receipt of written demand therefor, all costs of such excess electrical current requested by Tenant consumed as well as an additional use charge calculated by said meters (at the rates charged for such services to the Building by the municipality or the local public utility without markup) or the amount specified in said estimate, as the case may be, plus any additional expense incurred in keeping account of the electrical current so consumed, which additional expense Landlord shall advise Tenant within a reasonable time after request by Tenant.

11.8 Water. During the Term of this Lease, if water is made available to the Leased Premises, then water shall be used for drinking, lavatory and office kitchen purposes only as applicable. If Tenant requires, uses or consumes water for any purpose in addition to ordinary drinking, lavatory, and office kitchen purposes (as determined by Landlord in its sole and absolute discretion), as applicable, Landlord may reasonably estimate such excess and Tenant shall pay for same. At Tenant's sole cost and expense, Landlord may also install a water meter and thereby measure Tenant's water consumption for all purposes, and Tenant shall keep said meter and installation equipment in good working order and repair at Tenant's own cost and expense. Tenant agrees to pay for water consumed, as shown in said meter, as and when bills are rendered.

11.9 Interruptions.

(a) It is understood that Landlord does not warrant that any of the services referred to above or any other services which Landlord may supply will be free from interruption. Tenant acknowledges that any one or more such services may be suspended or reduced by reason of repairs, alterations or improvements necessary to be made, by strikes or accidents, by any cause beyond the reasonable control of Landlord, or by orders or regulations of any federal, state, county or municipal authority. Any such interruption or suspension of services shall not be deemed an eviction (constructive or otherwise) or disturbance of Tenant's use and possession of the Leased Premises or any part thereof, nor subject to Section 11.9(b) below, render Landlord liable to Tenant for damages by abatement of Rent or otherwise, nor relieve Tenant of performance of Tenant's obligations under this Lease.

(b) Notwithstanding anything to the contrary in this Lease, if: (i) any utility service for the Leased Premises is interrupted and Tenant is prevented from using and does not use the Leased Premises or any material portion thereof because of: (A) the negligent acts of Landlord, its employees, agents or contractors, (B) any construction, repair, maintenance or alteration perfonned by Landlord after the Commencement Date, or (C) Landlord's failure to perform any repair, maintenance or alteration required to be performed by Landlord under this Lease following the lapse of any reasonable notice and cure period with respect thereto, (each such set of circumstances as set forth in such items (A) – (C) shall be referred to as an "**Interruption Event**")**;** (ii) Tenant notifies Landlord of such Interruption Event in writing (the "**Interruption Notice**")**;** (iii) such Interruption Event does not arise in whole or in part as a result of an act or omission of Tenant or any of Tenant's Parties; (iv) such Interruption Event is not caused by a casualty (in which event the provisions of Article 19 shall apply); (v) the repair or restoration of such service or the correction of such failure or problem outlined in items (A) – (C) is reasonably within the control of Landlord (or if such correction is not reasonably within the control of Landlord, Landlord actually receives rental interruption proceeds in connection with the applicable Interruption Event); and (vi) as a result of such Interruption Event, the Leased Premises or a material portion thereof, is rendered untenantable (meaning that Tenant is unable to use the Leased Premises in the normal course of its business), then on the third (3rd) consecutive business day following the date the Leased Premises (or material portion thereof) becomes untenantable, the Rent payable hereunder shall be abated on a per diem basis for each day after such three (3) business day period based upon the percentage of the Leased Premises so rendered untenantable, and such abatement shall continue until the date the Interruption Event is rectified.

11.10 Conservation. Tenant agrees to comply with the conservation, use and recycling policies and practices from time to time established by Landlord for the use of utilities and services supplied by Landlord, and the utility charges payable by Tenant hereunder may include such excess usage penalties or surcharges as may from time to time be established by Landlord for the Building. Landlord may reduce the utilities supplied to the Leased Premises and the Common Areas as required or permitted by any mandatory or voluntary water, energy or other conservation statute, regulation, order or allocation or other program.

11.11 Excess Usage. In addition to Tenant's Proportionate Share of Operating Costs, Tenant shall pay for (the "**Excess Utility Costs**") (i) all utility costs (including, without limitation, electricity, water and/or natural gas) attributable to any HVAC or other cooling system located in the Leased Premises or that provides service to Tenant's server room, data center or other areas with special equipment or for special use, and (ii) all such utility costs consumed outside of the normal office hours of 7:00 a.m. to 6:00 p.m. Monday through Friday excluding holidays, and (iii) all utility costs consumed at the Leased Premises in excess of normal office use (such as by way of example only, extended hours of operation, heavier use of duplicating, computer, telecommunications or other equipment in excess of the normal use for general office uses, or a density of workers in excess of the normal density for general office uses). Tenant shall pay for such Excess Utility Costs within thirty (30) days after receipt of a billing from Landlord. Such billing shall be determined in good faith by Landlord based on separate meters, submeters or other measuring devices (such as an eamon demon device) to measure consumption of such utilities at the Leased Premises or otherwise based on a commercially reasonable allocation given Tenant's use of the Leased Premises. The charge for such excess use may include a reasonable charge for increased wear and tear on existing equipment caused by Tenant's excess consumption. Tenant shall pay, as additional rent, for the Excess Utility Costs within thirty (30) days after receipt of a billing from Landlord, and if requested by Landlord, Tenant shall pay for Excess Utility Costs, as additional rent, on an estimated basis in advance on the first day of each month, subject to an annual reconciliation of such Excess Utility Costs.

11.12 Energy Use Disclosures. Tenant agrees to cooperate with Landlord and provide information, including copies of Tenant's utility bills, required by Landlord regarding Tenant's energy consumption at the Leased Premises for purpose of establishing an account with the Energy Star Portfolio Manager website maintained by the EPA and Department of Energy.

ARTICLE 12 ALTERATIONS

12.1 Consent of Landlord; Ownership. Tenant shall not make, or suffer to be made, any alterations, additions or improvements, including, without limitation, any alterations, additions or improvements that result in increased telecommunication demands or require the addition of new communication or computer wires, cables and related devises or expand the number of telephone or communication lines dedicated to the Leased Premises by the Building's telecommunication design (individually, an "**alteration**" and collectively, "**alterations**") to the Leased Premises, or any part thereof, without the written consent of Landlord first had and obtained. Subject to Section 12.4 below, any alterations, except trade fixtures, shall upon expiration or termination of this Lease become a part of the realty and belong to Landlord. Tenant shall have the right to remove its trade fixtures placed upon the Leased Premises provided that Tenant restores the Leased Premises as indicated below. Tenant may, without Landlord's consent, make any Alteration to the Leased Premises that meets all of the following criteria (a "**Cosmetic Alteration**"): (a) the Alteration is decorative in nature (such as paint, carpet or other wall or floor finishes that are not glued or pasted to the wall or floor, or movable partitions); (b) does not affect any area outside of the Leased Premises; (c) costs less than $25,000.00 individually for each Alteration or in the aggregate of all such Alterations during a calendar year, (d) Tenant provides Landlord advance written notice of the commencement of such Cosmetic Alteration, (e) such Alteration does not affect the Building Systems or any structural portion of the Building or any part of the Building, and (f) the work does not require a building permit or other governmental permit.

12.2 Requirements. Any alteration performed by Tenant shall be subject to strict conformity with the following requirements:

(a) All alterations shall be at the sole cost and expense of Tenant;

(b) Prior to commencement of any work of alteration other than Cosmetic Alterations, Tenant shall submit detailed plans and specifications, including working drawings (hereinafter referred to as "**Plans**"), of the proposed alteration, which shall be subject to the consent of Landlord in accordance with the terms of Section 12.1 above;

(c) Following approval of the Plans by Landlord, Tenant shall give Landlord at least ten (10) days' prior written notice of any commencement of work in the Leased Premises so that Landlord may post notices of non-responsibility in or upon the Leased Premises as provided by law;

(d) No alteration shall be commenced without Tenant having previously obtained all appropriate permits and approvals required by and of governmental agencies;

(e) All alterations shall be performed in a skillful and workmanlike manner, consistent with the best practices and standards of the construction industry, and pursued with diligence in accordance with said Plans previously approved by Landlord and in full accord with all applicable laws and ordinances. All material, equipment, and articles incorporated in the alterations are to be new and of recent manufacture and of the most suitable grade for the purpose intended;

(f) Tenant must obtain the prior written approval from Landlord for Tenant's contractors before the commencement of any work, such approval not to be unreasonably withheld, conditioned or delayed. Tenant's contractor for any work shall maintain all of the insurance reasonably required by Landlord, including, without limitation, commercial general liability and workers' compensation.

(g) The alteration must be performed in a manner such that they will not interfere with the quiet enjoyment of the other tenants in the Complex.

12.3 Liens. Tenant shall keep the Leased Premises and the Complex in which the Leased Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. In the event a mechanic's or other lien is filed against the Leased Premises, Building or the Complex as a result of a claim arising through Tenant, Landlord may demand that Tenant furnish to Landlord a surety bond satisfactory to Landlord in an amount equal to at least one hundred twenty-five percent (125%) of the amount of the contested lien claim or demand, indemnifying Landlord against liability for the same and holding the Leased Premises free from the effect of such lien or claim. Such bond must be posted within ten (10) business days following notice from Landlord. In addition, Landlord may require Tenant to pay Landlord's reasonable attorneys' fees and costs in participating in any action to foreclose such lien if Landlord shall decide it is to its best interest to do so. If Tenant fails to post such bond within said time period, Landlord, after five (5) business days prior written notice to Tenant, may pay the claim prior to the enforcement thereof, in which event Tenant shall reimburse Landlord in full, including attorneys' fees, for any such expense, as additional rent, with the next due rental.

12.4 Restoration. Tenant shall return the Leased Premises to Landlord at the expiration or earlier termination of this Lease in good and sanitary order, condition and repair, free of rubble and debris, broom clean, reasonable wear and tear excepted. Upon written request by Tenant at the time of Tenant's request for Landlord's approval of any Plans for a proposed Alteration, Landlord shall notify Tenant in writing whether all or any portion of such Alterations will be required to be removed upon the expiration or earlier termination of this Lease, and if Landlord shall so elect in writing to have any elements of such Alterations removed at the end of the term, then upon the expiration or earlier termination of this Lease, Tenant shall forthwith restore said Leased Premises or the designated portions thereof as the case may be, to its original condition, entirely at its own expense, excepting normal wear and tear. All damage to the Leased Premises caused by the removal of such trade fixtures and other personal property that Tenant is permitted to remove under the terms of this Lease and/or such restoration shall be repaired by Tenant at its sole cost and expense prior to termination.

Notwithstanding the foregoing, Tenant shall be required to remove all telephone, data and network communication wires, cables and lines installed by Tenant (collectively, "**Wires**") in the Leased Premises or anywhere in the Building, including the conduits and risers of the Building, by the expiration or sooner termination of the Term of this Lease, unless such work is not required under applicable Law and provided that Tenant complies with all applicable Laws with respect to leaving the Wires in place, including, without limitation, identifying and labeling all Wires for future use, and in any event providing Landlord with a written description of the Wires accompanied by a plan showing the current type, quantity, points of commencement and termination, and routes of the Wires to allow Landlord to determine if Landlord desires to retain same or to discard the same.

ARTICLE 13 PROPERTY INSURANCE

13.1 Use of Leased Premises. No use shall be made or permitted to be made on the Leased Premises, nor acts done, which will increase the existing rate of insurance upon the building in which the Leased Premises are located or upon any other Building in the Complex or cause the cancellation of any insurance policy covering the Building, or any part thereof, nor shall Tenant sell, or permit to be kept, used or sold, in or about the Leased Premises, any article which may be prohibited by the standard form of "All Risk" fire insurance policies. Tenant shall, at its sole cost and expense, comply with any and all requirements pertaining to the Leased Premises, of any insurance organization or company, necessary for the maintenance of reasonable property damage and commercial general liability insurance, covering the Leased Premises, the Building, or the Complex.

13.2 Increase in Premiums. Tenant agrees to pay Landlord, as additional Rent, within thirty (30) days after receipt by Tenant of Landlord's billing therefor, any increase in premiums for insurance policies which may be carried by Landlord on the Leased Premises, Building or Complex resulting from any negligent or intentional act or omission of Tenant or any of its contractors, partners, officers, employees or agents. Landlord shall promptly notify Tenant of any alleged negligent or intentional act or omission of Tenant or any of its contractors, partners, officers, employees or agents which would result in an increase in such premiums.

13.3 Personal Property Insurance. Tenant shall maintain in full force and effect on alterations, additions, improvements, carpeting, floor coverings, panelings, decorations to the extent paid for by Tenant, fixtures, inventory and other business personal property owned by Tenant and situated in or about the Leased Premises a policy or policies providing protection against any peril included within the classification "All Risk" to the extent of one hundred percent (100%) of their replacement cost, or that percentage of the replacement cost required to negate the effect of a co-insurance provision, whichever is greater. No such policy shall have a deductible in a greater amount than Fifty THOUSAND DOLLARS ($50,000.00). Tenant shall also insure in the same manner the physical value of all its leasehold improvements and alterations in the Leased Premises paid for by Tenant. During the term of this Lease, the proceeds from any such policy or policies of insurance shall be used for the repair or replacement of the fixtures, equipment, and leasehold improvements so insured. Landlord shall have no interest in said insurance (except as a loss payee with respect to any alterations or other leasehold improvements made to the Leased Premises), and will sign all documents necessary or proper in connection with the settlement of any claim or loss by Tenant. Tenant shall also maintain business interruption insurance (as required by Section 15.3 below) and insurance for all plate glass upon the Leased Premises; provided, however, that Tenant shall be permitted to self-insure for plate glass, but no such self-insurance shall diminish the rights and privileges to which Landlord would otherwise have been entitled under the terms of the Lease had there been a third party insurer, including, without limitation, the waiver of subrogation. All insurance specified in this Section 13.3 to be maintained by Tenant shall be maintained by Tenant at its sole cost.

ARTICLE 14 INDEMNIFICATION, WAIVER OF CLAIMS AND SUBROGATION

14.1 Intent and Purpose. This Article 14 is written and agreed to in respect of the intent of the parties to assign the risk of loss, whether resulting from negligence of the parties or otherwise, to the party who is obligated hereunder to cover the risk of such loss with insurance. Thus, the indemnity and waiver of claims provisions of this Lease have as their object, so long as such object is not in violation of public policy, the assignment of risk for a particular casualty to the party carrying the insurance for such risk, without respect to the causation thereof.

14.2 Waiver of Subrogation. So long as their respective insurers so permit, Tenant and Landlord hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage, All Risks or other property damage insurance now or hereafter existing for the benefit of the respective party, or required of such party under this Lease, and 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. Each party shall obtain any special endorsements required by their insurer to evidence compliance with the aforementioned waiver.

14.3 Form of Policy. Tenant's policies of insurance required hereunder shall (a) be provided at Tenant's expense; (b) name the Landlord Entities as additional insureds (General Liability) and loss payee (Property—Special Form); (c) be issued by an insurance company with a minimum Best's rating of "A-:VII" during the Term; and (d) provide that said insurance shall not be canceled unless thirty (30) days prior written notice (ten days for non-payment of premium) shall have been given to Landlord; a certificate of Liability insurance on ACORD Form 25 and a certificate of Property insurance on ACORD Form 27 shall be delivered to Landlord by Tenant upon the Commencement Date and at least thirty (30) days prior to each renewal of said insurance.

14.4 Indemnity. Tenant shall protect, indemnify and hold Landlord, Landlord's investment manager, and the trustees, boards of directors, officers, general partners, beneficiaries, stockholders, employees and agents of each of them (the "**Landlord Entities**") harmless from and against any and all loss, claims, liability or costs (including court costs and attorney's fees) incurred by reason of (a) any damage to any property (including but not limited to property of any Landlord Entity) or any injury (including but not limited to death) to any person occurring in, on or about the Leased Premises, Building and or Complex to the extent that such injury or damage shall be caused by or arise from any actual act, neglect, fault, or omission by or of Tenant or any of Tenant's agents, contractors, employees, licensees or invitees (collectively, the "**Tenant Entities**") to meet any standards imposed by any duty with respect to the injury or damage; (b) the conduct or management of any work or thing whatsoever done by the Tenant in or about the Leased Premises; (c) Tenant's failure to comply with any and all governmental laws, ordinances and regulations applicable to the condition or use of the Leased Premises or its occupancy to the extent not Landlord's obligations pursuant to the terms of this Lease; or (d) any breach or default on the part of Tenant in the performance of any covenant or agreement on the part of the Tenant to be performed pursuant to this Lease. The provisions of this Article shall survive the termination of this Lease with respect to any claims or liability accruing prior to such termination. Notwithstanding the foregoing, the Tenant's indemnity obligations set forth in this Lease shall not include any lost profit, loss of business or other consequential damages, except that the exclusion from the indemnity obligations shall not apply to Landlord's claim for rent required under this Lease as contemplated in Article 25 of this Lease.

14.5 Defense of Claims. In the event any action, suit or proceeding is brought against Landlord by reason of any occurrence described in Section 14.4 above, Tenant, upon Landlord's request, will at Tenant's expense resist and defend such action, suit or proceeding, or cause the same to be resisted and defended by counsel designated either by Tenant or by the insurer whose policy covers the occurrence and in either case approved by Landlord. The obligations of Tenant under this Section arising by reason of any occurrence described in Section 14.4 above taking place during the Lease term shall survive any termination of this Lease.

14.6 Waiver of Claims. Tenant, as a material part of the consideration to be rendered to Landlord, hereby waives all claims against Landlord for damages or injury, as described below subject to the waiver of subrogation set forth in Section 14.2 above, from any cause arising at any time, including breach of the provisions of this Lease and the negligence of the parties hereto except to the extent such damages or injury are caused by the gross negligence or willful actions of Landlord, its agents, officers and employees:

(a) damages to goods, wares, merchandise and loss of business in, upon or about the Leased Premises and injury to Tenant, its agents, employees, invitees or third persons, in, upon or about the Leased Premises, Building or Complex; and

(b) (notwithstanding anything to the contrary contained in this Lease, including, without limitation, the definition of Operating Costs which includes "**policing**") damages to goods, wares, merchandise and loss of business, in, upon or about the Leased Premises or the Complex, and injury to Tenant, its agents, employees, invitees or third persons in, upon or about the Leased Premises or the Complex, where such damage or injury results from Landlord's failure to police or provide security for the Complex or Landlord's negligence in connection therewith.

14.7 References. Wherever in this Article the term Landlord or Tenant is used and such party is to receive the benefit of a provision contained in this Article, such term shall refer not only to that party but also to its shareholders, officers, directors, employees, partners, members, managers, mortgagees and agents.

ARTICLE 15 LIABILITY AND OTHER INSURANCE

15.1 Tenant's Insurance. Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Lease, a commercial general liability insurance policy insuring Tenant and protecting Landlord and the Landlord Entities against any liability to the public or to any invitee of Tenant or a Landlord Entity against the risks of, bodily injury and property damage, personal injury, contractual liability, completed operations, products liability, host liquor liability, owned and non-owned automobile liability arising out of the ownership, use, occupancy or maintenance of the Leased Premises. Such insurance shall be a combined single limit policy in an amount not less than THREE MILLION DOLLARS ($3,000,000.00) per occurrence with a FIVE MILLION DOLLAR ($5,000,000.00) annual aggregate. Landlord, the Landlord Entities and any lender and any other party in interest designated by Landlord shall be named as additional insured(s). The policy shall contain cross liability endorsements with coverage for Landlord for the negligence of Tenant even though Landlord is named as an additional insured; shall be primary, not contributing with, and not in excess of coverage which Landlord may carry; shall provide for severability of interest; shall provide that an act or omission of one of the insured or additional insureds which would void or otherwise reduce coverage shall not void or reduce coverages as to the other insured or additional insureds; and shall afford coverage after the term of this Lease (by separate policy or extension if necessary) for all claims based on acts, omissions, injury or damage which occurred or arose (or the onset of which occurred or arose) in whole or in part during the term of this Lease. The limits of said insurance shall not limit any liability of Tenant hereunder. Not more frequently than every three (3) years, if, in the reasonable opinion of Landlord, the amount of liability insurance required hereunder is not adequate, Tenant shall promptly increase said insurance coverage as required by Landlord so long as Landlord has required the other similarly situated tenants in the Building to similarly increase their insurance coverage to the extent Landlord has the right under the leases with such other tenants to require such increases in the amount of liability insurance.

15.2 Workers' Compensation Insurance. Tenant shall carry Workers' Compensation insurance as required by law, including an employers' liability endorsement.

15.3 Other Insurance. Tenant shall keep in force throughout the Term: (a) Business Auto Liability covering owned, non-owned and hired vehicles with a limit of not less than $1,000,000 per accident; (b) Employers Liability with limits of $1,000,000 each accident, $1,000,000 disease policy limit, $1,000,000 disease-each employee; (c) Business Interruption Insurance for 100% of the 12 months actual loss sustained, and (d) Excess Liability in the amount of $5,000,000. In addition, whenever Tenant shall undertake any alterations, additions or improvements in, to or about the Leased Premises ("**Work**") the aforesaid insurance protection must extend to and include injuries to persons and damage to property arising in connection with such Work, without limitation including liability under any applicable structural work act, and such other insurance as Landlord shall require; and the policies of or certificates evidencing such insurance must be delivered to Landlord prior to the commencement of any such Work.

ARTICLE 16 INSURANCE POLICY REQUIREMENTS & INSURANCE DEFAULTS

16.1 General Requirements. All insurance policies required to be carried by Tenant (except Tenant's business personal property insurance) hereunder shall conform to the following requirements:

(a) The insurer in each case shall carry a designation in "Best's Insurance Reports" as issued from time to time throughout the term as follows: Policyholders' rating of A-; financial rating of not less than VII;

(b) The insurer shall be qualified to do business in the state in which the Leased Premises are located;

(c) The policy shall be in a form and include such endorsements as are reasonably acceptable to Landlord; and

(d) Certificates of insurance shall be delivered to Landlord at commencement of the term and certificates of renewal at least thirty (30) days prior to the expiration of each policy;

(e) Each policy shall require that the carrier endeavor to notify Landlord in writing at least thirty (30) days prior to any cancellation or expiration of such policy, or any reduction in the amounts of insurance carried; provided, however, that Tenant shall provide such notice regardless of whether the carrier provides such notice.

16.2 Tenant's Insurance Defaults. If Tenant fails to obtain any insurance required of it under the terms of this Lease, Landlord may following delivery of written notice to Tenant and Tenant's failure to cure within 5 business days following receipt of such notice, at its option, but is not obligated to, obtain such insurance on behalf of Tenant and bill Tenant, as additional rent, for the cost thereof. Payment shall be due within thirty (30) days of receipt of the billing therefor by Tenant.

ARTICLE 17 FORFEITURE OF PROPERTY

17.1 Removal of Personal Property. Tenant agrees that as at the date of termination of this Lease or repossession of the Leased Premises by Landlord, by way of default or otherwise, it shall remove all personal property to which it has the right to ownership pursuant to the terms of this Lease. Any and all such property of Tenant not removed by such date shall, at the option of Landlord, irrevocably become the sole property of Landlord. Tenant waives all rights to notice and all common law and statutory claims and causes of action which it may have against Landlord subsequent to such date as regards the storage, destruction, damage, loss of use and ownership of the personal property affected by the terms of this Article. Tenant acknowledges Landlord's need to relet the Leased Premises upon termination of this Lease or repossession of the Leased Premises and understands that the forfeitures and waivers provided herein are necessary to aid said reletting, and to prevent Landlord incurring a loss for inability to deliver the Leased Premises to a prospective Tenant.

ARTICLE 18 MAINTENANCE AND REPAIRS

18.1 Landlord's Obligations. Subject to the other provisions of this Lease imposing obligations in this respect upon Tenant, Landlord shall repair, replace and maintain the external and Structural parts of the Building and Common Areas of the Complex which do not comprise a part of the Leased Premises and are not leased to others, janitor and equipment closets and shafts within the Leased Premises designated by Landlord for use by it in connection with the operation and maintenance of the Complex, and all Common Areas. Landlord shall perform such repairs, replacements and maintenance with reasonable dispatch, in a good and workmanlike manner; but Landlord shall not be liable for any damages, direct, indirect or consequential, or for damages for personal discomfort, illness or inconvenience of Tenant by reason of failure of such equipment, facilities or systems or reasonable delays in the performance of such repairs, replacements and maintenance, unless caused by the gross negligence or deliberate act or omission of Landlord. The cost for such repairs, maintenance and replacement shall be included in Operating Costs to the extent permitted by Article 6 above.

18.2 Negligence of Tenant. If the Building, the elevators, boilers, engines, pipes or apparatus used for the purpose of climate control of the Building or operating the elevators, or if the water pipes, drainage pipes, electric lighting or other equipment of the Building, or the roof or the outside walls of the Building, fall into a state of disrepair or become damaged or destroyed through the gross negligence or intentional act of Tenant, its agents, officers, partners, employees or servants, the cost of the necessary repairs, replacements or alterations shall be borne by Tenant who shall pay the same to Landlord as additional charges forthwith on demand.

18.3 Tenant's Obligations. Tenant shall repair the non-Structural elements of the Leased Premises, including without limiting the generality of the foregoing, all interior partitions and walls, fixtures, improvements and alterations in the Leased Premises, fixtures and shelving, and special mechanical and electrical equipment which equipment is not a normal part of the Leased Premises installed by or for Tenant, reasonable wear and tear, damage with respect to which Landlord has an obligation to repair as provided in Section 18.1 and Section 19 hereof only excepted. Landlord may enter in accordance with Section 22.1 below and view the state of repair and Tenant will repair in a good and workmanlike manner according to notice in writing.

18.4 Cleaning. Tenant agrees at the end of each business day to leave the Leased Premises in a reasonably clean condition for the purpose of the performance of Landlord's cleaning services referred to herein.

18.5 Waiver. Tenant waives all rights it may have under law to make repairs at Landlord's expense.

18.6 Acceptance. Except as to the construction obligations of Landlord, if any, stated in Exhibit B to this Lease, Tenant shall accept the Leased Premises in "as is" condition as of the date of execution of this Lease by Tenant, and subject to the punch list items referenced in section 4.5, Tenant acknowledges that the Leased Premises in such condition are in good and sanitary order, condition and repair.

ARTICLE 19 DESTRUCTION

19.1 Rights of Termination. Within thirty (30) days following the occurrence of a fire or other casualty causing damage to the Leased Premises or the Building, Landlord shall notify Tenant (the "**Damage Notice**") of whether (x) Landlord elects to perform necessary repairs and the estimated length to perform such repairs, or (y) whether Landlord elects to terminate this Lease to the extent permitted in this Article 19. In the event the Leased Premises suffers (a) an "uninsured property loss" (as hereinafter defined) or (b) a property loss which cannot be repaired within one hundred eighty (180) days from the date of destruction under the laws and regulations of state, federal, county or municipal authorities, or other authorities with jurisdiction, Landlord may terminate this Lease as of the date of the damage within twenty (20) days after delivery of the Damage Notice from Landlord to Tenant that the damage from the casualty was an uninsured property loss or that time to restore will exceed such one hundred eighty (180) day period. In the event of a property loss to the Leased Premises which cannot be repaired within two hundred seventy (270) days of the occurrence thereof, Tenant shall also have the right to terminate the Lease by written notice to Landlord within twenty (20) days after delivery of the Damage Notice from Landlord that the time for restoration will exceed such time period. Notwithstanding anything to the contrary contained in this Lease, Tenant shall not have the right to terminate this Lease if the casualty or other loss or damage was caused by the gross negligence or intentional misconduct of Tenant or any Tenant Entity or a party related to Tenant. For purposes of this Lease, the term "**uninsured property loss**" shall mean any loss arising from a peril not covered by the standard form of "All Risk" property insurance policy.

19.2 Repairs. In the event of a property loss which may be repaired within one hundred eight (180) days from the date of the damage, or, in the alternative, in the event the parties do not elect to terminate this Lease under the terms of Section 19.1 above, then this Lease shall continue in full force and effect and Landlord shall forthwith undertake to make such repairs to reconstitute the Leased Premises to as near the condition as existed prior to the property loss as practicable. Landlord shall not be required to repair or replace any damage or loss by or from fire or other cause to any panelings, decorations, partitions, additions, railings, ceilings, floor coverings, office fixtures or any other property or improvements installed on the Leased Premises by, or belonging to, Tenant. Such partial destruction shall in no way annul or void this Lease except that Tenant shall be entitled to a proportionate reduction of Minimum Monthly Rent following the property loss and until the time the Leased Premises are restored. Such reduction shall be based on the ratio that the square footage of the damaged portion of the Leased Premises bears to the total square footage of the Leased Premises. So long as Tenant conducts its business in the Leased Premises, there shall be no abatement until the parties agree on the amount thereof. If the parties cannot agree within forty-five (45) days of the property loss, the matter shall be submitted to arbitration under the rules of the American Arbitration Association. Upon the resolution of the dispute, the settlement shall be retroactive and Landlord shall within ten (10) days thereafter refund to Tenant any sums due in respect of the reduced rental from the date of the property loss. Landlord's obligations to restore shall in no way include any construction originally performed by Tenant or subsequently undertaken by Tenant, but shall include solely that property constructed by Landlord prior to commencement of the Term hereof. Notwithstanding anything to the contrary contained in this Lease, in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the Leased Premises, Building and/or Complex requires that any insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within fifteen (15) days after such requirement is made by any such holder, whereupon this Lease shall end on the date of such damage as if the date of such damage were the date originally fixed in this Lease for the expiration of the Term. If Landlord elects to make repairs and such repairs are not completed within 270 days following the date of the fire or other casualty and such fire or casualty was not caused by the gross negligence or willful misconduct of Tenant or any of Tenant's Parties, then Tenant may elect to terminate this Lease upon written notice to Landlord within the earlier of fifteen (15) days (i) after notice from Landlord that the work will not be completed within such 270-day period, or (ii) after the expiration of such 270-day period but prior to completion of such work.

19.3 Repair Costs. The cost of any repairs to be made by Landlord, pursuant to Section 19.2 of this Lease, shall be paid by Landlord utilizing available insurance proceeds. Tenant shall reimburse Landlord upon completion of the repairs for any commercially reasonable deductible for which no insurance proceeds will be obtained under Landlord's insurance policy, or if other premises are also repaired, a pro rata share based on total costs of repair equitably apportioned to the Leased Premises.

19.4 Waiver. Tenant hereby waives all statutory or common law rights of termination in respect to any partial destruction or property loss which Landlord is obligated to repair or may elect to repair under the terms of this Article.

19.5 Landlord's Election. In the event that the Complex or Building is destroyed to the extent of not less than thirty-three and one-third percent (33-1/3%) of the replacement cost thereof, Landlord may elect to terminate this Lease, whether the Leased Premises be injured or not, in the same manner as in Section 19.1 above. In all events, a total destruction of the Complex or Building shall terminate this Lease.

19.6 Damage Near End of Term. If at any time during the last twelve (12) months of the term of this Lease there is, in Landlord's sole opinion, substantial damage to the Leased Premises or the Building, whether or not such casualty is covered in whole or in part by insurance, Landlord may at Landlord's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Tenant of Landlord's election to do so within thirty (30) days after the date of occurrence of such damage and Landlord shall have no further liability hereunder. Substantial damage shall be defined as damage that will cost over $150,000.00 to repair. In addition, if the fire or other casualty occurs during the last 12 months of the term and the time to repair exceeds 90 days, then Tenant may elect to terminate this Lease by delivery of written notice to Landlord except of the fire or casualty was caused by the gross negligence or willful misconduct of Tenant or any of Tenant's Parties.

ARTICLE 20 CONDEMNATION

20.1 Definitions.

(a) "**Condemnation**" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a condemnor and/or (ii) a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

(b) "**Date of taking**" means the date the condemnor has the right to possession of the property being condemned.

(c) "**Award**" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation.

(d) "**Condemnor**" means any public or quasi-public authority, or private corporation or individual, having the power of condemnation.

20.2 Total Taking. If the Leased Premises are totally taken by condemnation, this Lease shall terminate on the date of taking.

20.3 Partial Taking; Common Areas.

(a) If any portion of the Leased Premises is taken by condemnation, this Lease shall remain in effect, except that Tenant can elect to terminate this Lease if 33-1/3% or more of the total number of square feet in the Leased Premises is taken.

(b) If any part of the Common Areas of the Complex is taken by condemnation, this Lease shall remain in full force and effect so long as there is no material interference with the access to the Leased Premises, except that if thirty percent (30%) or more of the Common Areas is taken by condemnation, Landlord or Tenant shall have the election to terminate this Lease pursuant to this Section.

(c) If fifty percent (50%) or more of the Building in which the Leased Premises are located is taken, Landlord shall have the election to terminate this Lease in the manner prescribed herein.

20.4 Termination or Abatement. If either party elects to terminate this Lease under the provisions of Section 20.3 (such party is hereinafter referred to as the "**Terminating Party**"), it must terminate by giving notice to the other party (the "**Nonterminating Party**") within thirty (30) days after the nature and extent of the taking have been finally determined (the "**Decision Period**"). The Terminating Party shall notify the Nonterminating Party of the date of termination, which date shall not be earlier than one hundred twenty (120) days after the Terminating Party has notified the Nonterminating Party of its election to terminate nor later than the date of taking. If Notice of Termination is not given within the Decision Period, the

Lease shall continue in full force and effect except that Minimum Monthly Rent shall be reduced by subtracting therefrom an amount calculated by multiplying the Minimum Monthly Rent in effect prior to the taking by a fraction the numerator of which is the number of square feet taken from the Leased Premises and the denominator of which is the number of square feet in the Leased Premises prior to the taking.

20.5 Restoration. If there is a partial taking of the Leased Premises and this Lease remains in full force and effect pursuant to this Article, Landlord, at its cost, shall accomplish all necessary restoration so that the Leased Premises is returned as near as practical to its condition immediately prior to the date of the taking, but in no event shall Landlord be obligated to expend more for such restoration than the extent of funds actually paid to Landlord by the condemnor.

20.6 Award. Any award arising from the condemnation or the settlement thereof shall belong to and be paid to Landlord except that Tenant shall receive from the award compensation for the following if specified in the award by the condemning authority, so long as it does not reduce Landlord's award in respect of the real property: Tenant's trade fixtures, tangible personal property, goodwill, loss of business and relocation expenses. At all events, Landlord shall be solely entitled to all award in respect of the real property, including the bonus value of the leasehold. Tenant shall not be entitled to any award until Landlord has received the above sum in full.

ARTICLE 21 ASSIGNMENT AND SUBLETTING

21.1 Lease is Personal. The purpose of this Lease is to transfer possession of the Leased Premises to Tenant for Tenant's personal use in return for certain benefits, including rent, to be transferred to the Landlord. Tenant acknowledges and agrees that it has entered into this Lease in order to occupy the Leased Premises for its own personal use and not for the purpose of obtaining the right to assign or sublet the leasehold to others.

21.2 "Transfer of the Leased Premises" Defined. Except for transfer described in section 21.11 hereof, the terms "**Transfer of the Leased Premises**" or "**Transfer**" as used herein shall include any of the following, whether voluntary or involuntary and whether effected by death, operation of law or otherwise:

(a) An assignment of all or any part this Lease or subletting of all or any part the Leased Premises or transfer of possession, or right of possession or contingent right of possession of all or any portion of the Leased Premises including, without limitation, concession, mortgage, deed of trust, devise, hypothecation, agency, license, franchise or management agreement, or the occupancy or use by any other person (the agents and servants of Tenant excepted) of any portion of the Leased Premises.

(b) If Tenant is a partnership, limited liability company or other entity other than a corporation described in Section 21.1(c) below:

(1) A change in ownership effected voluntarily, involuntarily, or by operation of law of fifty percent (50%) or more of the partners or members or fifty percent (50%) or more in the aggregate of the partnership or membership interests, whether in a single transaction or series of transactions over a period of time or

(2) The sale, mortgage, hypothecation, pledge or other encumbrance at any time of more than an aggregate of fifty percent (50%) in the aggregate of the value of Tenant's assets, whether in a single transaction or series of transactions over a period of time; or

(3) The dissolution of the partnership or limited liability company without its immediate reconstitution.

(c) If Tenant is a closely held corporation (i.e., one whose stock is not publicly held and not traded through an exchange or over the counter):

(1) The sale or other transfer of more than an aggregate of fifty percent (50%) of the voting shares of Tenant or more in the aggregate, whether in a single transaction or series of transactions over a period of time;

(2) The sale, mortgage, hypothecation, pledge or other encumbrance at any time of more than an aggregate of fifty percent (50%) in the aggregate of the value of Tenant's assets, whether in a single transaction or series of transactions over a period of time; or

(3) The dissolution, merger, consolidation, or other reorganization of Tenant.

21.3 No Transfer Without Consent. Except for a Transfer described in section 21.11 hereof, Tenant shall not suffer a Transfer of the Leased Premises or any interest therein, or any part thereof, or any right or privilege appurtenant thereto without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed, and a consent to one Transfer of the Leased Premises shall not be deemed to be a consent to any subsequent Transfer of the Leased Premises.

Landlord shall respond to Tenant's request for consent to an assignment or subletting within fifteen (15) business days following delivery of such request. If Landlord fails to timely deliver to Tenant notice of Landlord's consent, or the withholding of consent, to a proposed Transfer, Tenant may send a second (2nd) notice to Landlord, which notice must contain the following inscription, in bold faced lettering: **"SECOND NOTICE DELIVERED PURSUANT TO ARTICLE 21 OF LEASE — FAILURE TO TIMELY RESPOND WITHIN FIVE (5) BUSINESS DAYS SHALL RESULT IN DEEMED APPROVAL OF ASSIGNMENT OR SUBLEASE**." If Landlord fails to deliver notice of Landlord's consent to, or the withholding of Landlord's consent, to the proposed assignment or sublease within five (5) business days following receipt of such second notice, Landlord shall be deemed to have approved the assignment or sublease in question. If Landlord at any time timely delivers notice to Tenant or Landlord's withholding of consent to a proposed assignment or sublease, Landlord shall specify in reasonable detail in such notice, the basis for such withholding of consent.

Any Transfer of the Leased Premises without such consent (or deemed consent) shall be void, and shall, at the option of Landlord, terminate this Lease. Any Transfer of the Leased Premises without such consent shall be voidable, at the option of Landlord. The consent by Landlord to any Transfer shall not include consent to the assignment or transferring of any lease renewal option rights or space option rights of the Leased Premises, special privileges or extra services granted to Tenant by this Lease, or addendum or amendment thereto or letter of agreement (and such options, rights, privileges or services shall terminate upon such assignment), unless Landlord specifically grants in writing such options, rights, privileges or services to such assignee or subtenant.

21.4 When Consent Granted. The consent of Landlord to a Transfer may not be unreasonably withheld, conditioned or delayed, provided that it is agreed to be reasonable for Landlord to consider any of the following reasons, which list is not exclusive, in electing to deny consent:

(a) The financial strength of the proposed transferee at the time of the proposed Transfer is not sufficient in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested;

(b) A proposed transferee whose occupation of the Leased Premises would cause a diminution in the reputation of the Complex or the other businesses located therein;

(c) A proposed transferee whose impact or affect on the common facilities or the utility, efficiency or effectiveness of any utility or telecommunication system serving the Building or the Complex or the other occupants of the Complex would be adverse, disadvantageous or require improvements or changes in any utility or telecommunication capacity currently serving the Building or the Complex;

(d) A proposed transferee whose occupancy will require a variation in the terms of this Lease (including, without limitation, a variation in the use clause) or which otherwise adversely affects any interest of Landlord;

(e) The existence of any default by Tenant under any provision of this Lease beyond applicable notice and cure period;

(f) A proposed transferee who is or is likely to be, or whose business is or is likely to be, subject to compliance with additional laws or other governmental requirements requiring additional improvements to the Common Areas;

(g) 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 or an affiliate of the proposed transferee, (i) occupies space in the Building at the time of the request for consent provided that Landlord has comparable vacant space in the Building to offer to such other occupant, or (ii) is negotiating with Landlord to lease space in the Building or in the Complex at such time;

(h) the proposed Transferee is a governmental agency or unit, a non-profit or charitable entity or organization or an existing tenant in the Complex;

(i) Landlord otherwise determines that the proposed Transfer would have the effect of decreasing the value of the Building or the Complex, or increasing the expenses associated with operating, maintaining and repairing the Building or the Complex;

(j) the rent proposed to be charged by Tenant to the proposed transferee during the term of such Transfer is less than seventy-five percent (75%) of the then prevailing market rent for comparable space in the vicinity of the Building;

(k) the proposed Transferee will use, store or handle Hazardous Materials (defined below) in or about the Leased Premises of a type, nature or quantity not then acceptable to Landlord; or

(l) the portion of the Leased Premises to be sublet or assigned is irregular in shape with inadequate means of ingress and egress.

21.5 Intentionally Deleted.

21.6 Procedure for Obtaining Consent. In the event Tenant desires to sublet, or permit such occupancy of, the Leased Premises, or any portion thereof, or assign this Lease, Tenant shall give written notice thereof to Landlord at least thirty (30) days but no more than one hundred twenty (120) days prior to the proposed commencement date of such subletting or assignment, which notice shall set forth the name of the proposed subtenant or assignee, the relevant terms of any sublease or assignment and copies of financial reports and other relevant financial information of the proposed subtenant or assignee. With respect to a Transfer requiring Landlord's consent, Landlord need not commence its review of any proposed Transfer, or respond to any request by Tenant with respect to such, unless and until it has received from Tenant adequate descriptive information concerning the business to be conducted by the proposed transferee, the transferee's financial capacity, and such other information as may reasonably be required in order to form a prudent judgment as to the acceptability of the proposed Transfer, including, without limitation, the following:

(a) The past two years' Federal Income Tax returns of the proposed transferee (or in the alternative the past two years' audited annual Balance Sheets and Profit and Loss statements, certified correct by a Certified Public Accountant);

(b) Banking references of the proposed transferee;

(c) A resume or description of the business background and experience of the proposed transferee; and

(d) An executed copy of the instrument by which Tenant proposes to effectuate the Transfer.

21.7 Recapture.

(a) Notwithstanding Section 21.7(b), in the event Tenant intends to assign this Lease or sublet or otherwise enter in to a Transfer of the Leased Premises, Tenant may obtain a determination by Landlord as to whether Landlord would exercise its termination rights granted under Section 21.7(b) (a "**Recapture Notice Request**"). Any Recapture Notice Request delivered by Tenant hereunder shall include the following information: (i) the proposed effective date of the assignment or subletting or 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 Recapture Notice Request (the "**Contemplated Transfer Date**"), (ii) a description of the portion of the Leased Premises to be subleased, and (iii) the length of the proposed term of such assignment or subletting or Transfer. Landlord shall have fifteen (15) business days following Landlord's receipt of a Recapture Notice Request to advise Tenant, in writing, if Landlord intends or does not intend to exercise its termination rights under Section 21.7(b). If Landlord elects to exercise its termination right set forth in Section 21.7(b), Landlord shall so notify Tenant and such notice shall include the termination date which date shall be the Contemplated Transfer Date set forth in the Recapture Notice Request. Landlord's failure to respond within such fifteen (15) business day period and following a second notice (which notice shall have a heading in at least 12-point type, bold and all caps "**FAILURE TO RESPOND SHALL RESULT IN A WAIVER OF LANDLORD'S TERMINATION RIGHTS GRANTED UNDER SECTION 21.7(a) OF THE LEASE WITH RESPECT TO THE ASSIGNMENT [SUBLETTING] CONTEMPLATED BY THE**

RECAPTURE NOTICE REQUEST") and Landlord's failure to respond within five (5) business days after receipt of such second notice shall be deemed a waiver by Landlord of the termination rights granted under Section 21.7(b) with respect to the assignment or subletting or Transfer contemplated by the Recapture Notice Request. If Landlord notifies Tenant that it will not exercise its termination rights (a "**Waiver of Termination Right**"), such Waiver of Termination Right will be made in writing or shall be deemed to have been made in writing if Tenant has provided the notice above and Landlord has failed to respond in the time period set forth above (a "**Waiver Notice**") and may be relied upon by Tenant with respect to the Preliminary Transfer Proposal so approved for a period of one hundred and eighty (180) days following the date of the Waiver Notice (the "**Termination Abeyance Period**"). Any Waiver of Termination Right granted by Landlord (or deemed to have been granted by Landlord) hereunder represents Landlord's agreement not to terminate the Lease (or portion thereof). In the event that Tenant does not present Landlord with a request for consent to a proposed assignment or subletting which is subject to a Waiver of Termination Right within the Termination Abeyance Period provided for herein, the Waiver of Termination Right with respect to such assignment or subletting or Transfer shall expire and shall be of no further force and effect; provided, however, that Tenant shall again have the right to submit a Recapture Notice Request to Landlord in accordance with the terms of this Section 21.7(a).

(b) By written notice to Tenant (the "**Termination Notice**") within fifteen (15) business days following submission to Landlord by Tenant of the information specified in section 21.7(a), Landlord may (1) terminate this Lease in the event of an assignment of this Lease or sublet or other Transfer of the entire Leased Premises effective as of the Contemplated Transfer Date, or (2) terminate this Lease as to the portion of the Leased Premises to be sublet effective as of the Contemplated Transfer Date, if the sublet is to be of less than the entire Leased Premises. If Landlord elects to terminate under the provisions hereof, and the area to be terminated is less than the entire Leased Premises, an amendment to this Lease shall be executed in which Tenant's obligations for rent and other charges shall be reduced in proportion to the reduction in the size of the Leased Premises caused thereby by restating the description of the Leased Premises, and its monetary obligations hereunder shall be reduced by multiplying such obligations by a fraction, the numerator of which is the Rentable Area of the Leased Premises offered for sublease and the denominator of which is the Rentable Area of the Leased Premises immediately prior to such termination. Notwithstanding the foregoing, Landlord shall not have the right to recapture and terminate this Lease in connection with any assignment or sublease or Transfer to an Affiliate of Tenant or a Permitted Transferee (as defined in Section 21.11 below). For purposes hereof, the term "**Affiliate**" means any entity that controls, is controlled by, or is under common control with Tenant. "**Control**" means the direct or indirect ownership of more than fifty percent (50%) of the voting securities of an entity or possession of the right to vote more than fifty percent (50%) of the voting interest in the ordinary direction of the entity's affairs. For the purpose of this Lease, any sale or transfer of Tenant's capital stock, redemption or issuance of any additional stock of any class or the trading of any of Tenant's stock if Tenant is a publicly traded company shall not be deemed an assignment, subletting or any other Transfer of this Lease or the Leased Premises so long as there is no change in the management and control of Tenant. Moreover, none of the following shall be deemed an assignment, subletting or any other Transfer of this Lease or the Leased Premises: (i) a sale of corporate shares of capital stock in Tenant in connection with an initial public offering of Tenant's stock on a nationally-recognized stock exchange, or (ii) the issuance of any stock preferences or other equity interests of Tenant in connection with raising additional financing or capital, provided that (i) there is no reduction in the net worth of Tenant in connection with such Transfer, and (ii) Tenant shall continue to conduct business at the Leased Premises in a manner substantially similar to the manner in which business was conducted prior to such Transfer. Landlord's right under this Section 21.7(b) to recapture by providing the Termination Notice shall not apply to a Transfer to an Affiliate of Tenant or to a Permitted Transferee under a Permitted Transfer.

21.8 Reasonable Restriction. The restrictions on Transfer described in this Lease are acknowledged by Tenant to be reasonable for all purposes, including, without limitation, the provisions of California Civil Code (the "**Code**") Section 1951.4(b)(2). Tenant hereby waives the right to terminate this Lease provided under California Civil Code Section 1995.310(b).

21.9 Effect of Transfer. If Landlord consents to a Transfer and does not elect to recapture as provided in section 21.7, the following conditions shall apply:

(a) Each and every covenant, condition or obligation imposed upon Tenant by this Lease and each and every right, remedy or benefit afforded Landlord by this Lease shall not be impaired or diminished as a result of such Transfer.

(b) Tenant shall pay to Landlord on a monthly basis, fifty percent (50%) of any Transfer Premium derived by Tenant from such Transfer. The term "**Transfer Premium**" means any consideration paid by an assignee for the assignment specifically, or, in the case of a sublease, the excess of the base rent and reimbursement for expenses and taxes

paid by the subtenant over the amount of Minimum Monthly Rent and additional rent for Tenant's Proportionate Share of Operating Costs and Taxes payable by Tenant hereunder for the Leased Premises or the applicable portion of the Leased Premises for the subleased space during the same period of time, after deducting, in either such case, any Permitted Transfer Costs. As used in this Lease, "**Permitted Transfer Costs**" means the actual costs incurred and paid by Tenant for (a) any leasing commissions, (b) reasonable legal fees and expenses in connection with the Transfer, and (c) any Alterations to the subject space made by Tenant in connection with, and solely for the purpose of, the Transfer, provided that Tenant shall furnish Landlord with copies of bills or other documentation substantiating such costs. For purposes of calculating the Transfer Premium when the Transfer Premium is not paid to Tenant in a lump sum, all Permitted Transfer Costs shall be amortized on a straight-line basis, without interest, over the relevant term of the Transfer. Payment of Landlord's share of any Transfer Premium shall be made (i) in the case of an assignment, within thirty (30) days after Tenant receives the consideration described above, and (ii) in the case of a sublease, license or other occupancy agreement, for each month of the term of such agreement, within ten (10) business days after Tenant receives the rent and other consideration described above.

(c) No Transfer, whether or not consent of Landlord is required hereunder, shall relieve Tenant of its primary obligation to pay the rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of rent by Landlord from any person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any Transfer of the Leased Premises.

(d) If Landlord consents to a sublease, such sublease shall not extend beyond the expiration of the Term of this Lease.

(e) No Transfer shall be valid and no transferee shall take possession of the Leased Premises or any part thereof unless, Tenant shall deliver to Landlord, at least ten (10) days prior to the effective date of such Transfer, a duly executed duplicate copy of the Transfer instrument in form reasonably satisfactory to Landlord which provides that (i) in the case of an assignment, the transferee assumes Tenant's obligations for the payment of rent and for the full and faithful observance and performance of the covenants, terms and conditions contained herein or in the case of a sublease, the transferee agrees to perform the obligations of subtenant set forth in the sublease, (ii) such transferee will, at Landlord's election, attorn directly to Landlord in the event this Lease is terminated for any reason on the terms set forth in the instrument of transfer and (iii) such instrument of transfer contains such other assurances as Landlord reasonably deems necessary.

21.10 Costs. Tenant shall reimburse Landlord as additional rent for Landlord's reasonable costs and attorneys' fees incurred in conjunction with the processing and documentation of any proposed Transfer of the Leased Premises, whether or not consent is granted, not to exceed $2,500.00 unless Tenant or its Transferee requests more than one round of changes to this Lease or Landlord's form of consent, in which case such monetary limitation shall be increased to $3,500.00. The reference to changes in this Lease or Landlord's form of consent shall not be deemed or constructed as an agreement, commitment or assurance by Landlord that any changes will be made.

21.11 Permitted Transfer. Notwithstanding the other provisions of this Article 21, Tenant may assign this Lease or sublet the Leased Premises (a "**Permitted Transfer**") to the following types of entities (a "**Permitted Transferee**") without the written consent of Landlord: (i) an Affiliate of Tenant; or (ii) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity in which or with which Tenant is merged or consolidated, in accordance with applicable statutory provisions governing merger and consolidation of business entities, so long as Tenant's obligations hereunder are assumed by the entity surviving such merger or created by such merger or consolidation has a net worth of not less than $200,000,000; or (iii) any corporation, limited partnership, limited liability partnership, limited liability company or other business entity acquiring all or substantially all of Tenant's assets or stock, so long as Tenant's obligations under this Lease are assumed by the acquiring entity and such acquiring has a net worth of not less than $200,000,000. Tenant shall promptly notify Landlord of any such Permitted Transfer. The requisite net worth required of a Permitted Transferee shall be reflected in certified financial statements delivered to Landlord.

ARTICLE 22 ENTRY BY LESSOR

22.1 Rights of Landlord. Provided that the exercise of such rights does not unreasonably interfere with Tenant's occupancy of the Leased Premises, Tenant shall permit Landlord and Landlord's agents and any mortgagee under a mortgage or beneficiary under a deed of trust encumbering the Building containing the Leased Premises and such party's agents to enter the Leased Premises at all reasonable times upon no less than 2 business days' prior notice to Tenant (which for purposes hereof may be communicated verbally) for the purpose of (a) inspecting the same, (b) maintaining the Building, (c) making repairs, replacements, alterations or additions to any portion of the Building, including the erection and

maintenance of such scaffolding, canopies, fences and props as may be required, (d) posting notices of non-responsibility for alterations, additions or repairs, (e) placing upon the Building any usual or ordinary "for sale" signs and showing the space to prospective purchasers, investors and lenders, without any rebate of rent and without any liability to Tenant for any loss of occupation or quiet enjoyment of the Leased Premises thereby occasioned, and (f) placing on the Leased Premises any "to let" or "to lease" signs and marketing and showing the Leased Premises to prospective tenants. This Section in no way affects the maintenance obligations of the parties hereto.

ARTICLE 23 SIGNS

23.1 Full Floors. Subject to Landlord's prior written approval, in its sole discretion, and provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, if the Leased Premises comprise an entire floor of the Building, at Tenant's sole cost and expense, may install identification signage in the Leased Premises including in the elevator lobby of the Leased Premises, provided that such signs must not be visible from the exterior of the Building.

23.2 Multi-Tenant Floors. If any other tenant leases or occupies space on the floor on which the Leased Premises is located, Tenant's identifying signage shall be provided by Landlord, at Tenant's cost, and such signage shall be comparable to that used by Landlord for other similar floors in the Building and shall comply with Landlord's Building standard signage program.

23.3 Lobby Directory. If a directory exists in the main lobby of the Building, Landlord will include Tenant's name in the directory of the lobby in the Building containing the Leased Premises, and Landlord will pay for the initial cost to include Tenant's name in such directory. Any subsequent changes to Tenant's name or its listing in such directory shall be at Tenant's expense.

23.4 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. 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 Leased Premises or Building, shall be subject to the prior approval of Landlord, in its sole discretion. The cost of installation and regular maintenance of any such signs approved by Landlord shall be at the sole expense of Tenant. At the termination of this Lease, or any extension thereof, Tenant shall remove all its signs, and all damage caused by such removal shall be repaired at Tenant's expense.

ARTICLE 24 DEFAULT

24.1 Definition. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant:

(a) Payment. Any failure by Tenant to pay the rent or to make any other payment required to be made by Tenant hereunder within three (3) business days of the date due; provided, however, that not more frequently than twice each calendar year, Tenant shall not be in default for failure to pay Rent or any other sum unless Tenant fails to make such payment within three (3) business days after receipt of written notice of such failure from Landlord. The foregoing notice and cure period shall not be deemed a waiver or release of the obligation to pay late charges and interest for payments not made when due.

(b) Other Covenants. A failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within the thirty (30) day period allowed, Tenant shall not be deemed to be in default if Tenant shall, within such thirty (30) day period, commence to cure and thereafter diligently prosecute the same to completion. Notwithstanding the foregoing, any default by Tenant to comply with the terms and conditions contained in Article 15 (Liability Insurance), Article 16 (Insurance Policy Requirements and Insurance Defaults), Article 32 (Estoppel Certificates) and/or Section 33.25 (Financial Statements) where such failure continues for five (5) calendar days after Landlord's second (2nd) written notice thereof to Tenant; or

(c) Receivership. Either (1) the appointment of a receiver (except a receiver appointed at the instance or request of Landlord) to take possession of all or substantially all of the assets of Tenant, or (2) a general assignment by Tenant for the benefit of creditors, or (3) any action taken or suffered by Tenant under any insolvency or bankruptcy act shall constitute a breach of this Lease by Tenant. In such event, Landlord may, at its option, declare this Lease terminated and forfeited by Tenant, and Landlord shall be entitled to immediate possession of the Leased Premises. Upon such notice of termination, this Lease shall terminate immediately and automatically by its own limitation.

ARTICLE 25 REMEDIES UPON DEFAULT

25.1 Termination and Damages. In the event of any default by Tenant, then in addition to any other remedies available to Landlord herein or at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event that Landlord shall elect to so terminate this Lease, then Landlord may recover from Tenant:

(a) The worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(b) 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 Tenant proves could have been reasonably avoided; plus

(c) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

(d) 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 events would be likely to result therefrom; and

(e) 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 the applicable law in the state in which the Leased Premises are located.

25.2 Definition. As used in subsections 25.1(a) and (b) above, the "worth at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in subsection 25.1(c) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank for the region in which the Complex is located at the time of award plus one percent (1%).

25.3 Personal Property. In the event of any default by Tenant, Landlord shall also have the right and option, with or without terminating this Lease, to do any one or combination of the following:

(a) to reenter the Leased Premises and remove all persons and property from the Leased Premises;

(b) to have all of Tenant's fixtures, furniture, equipment, improvements, additions, alterations and other personal property remain upon the Leased Premises during the length of any default by Tenant or a lesser period; or

(c) to require Tenant to forthwith remove such property.

If Landlord shall remove property from the Leased Premises, Landlord may, in its sole and absolute discretion, store such property in the Complex, in a public warehouse or elsewhere. All costs incurred by Landlord under this section, including, without limitation, those for removal and storage (including, without limitation, charges imposed by Landlord for storage within the Complex), shall be at the sole cost of and for the account of Tenant. The rights stated herein are in addition to Landlord's rights described in Article 17.

25.4 Recovery of Rent; Reletting.

(a) In the event of the abandonment of the Leased Premises by Tenant or in the event that Landlord shall elect to reenter as provided in Section 25.3 above, or shall take possession of the Leased Premises pursuant to legal proceeding or pursuant to any notice provided by law, then if Landlord does not elect to terminate this Lease as provided in Section 25.1 above, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including, without limitation, Landlord's right from time to time, without terminating this Lease, to either recover all rental as it becomes due or relet the Leased Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord, in its sole discretion, may deem advisable with the right to make alterations and repairs to the Leased Premises.

Acts of maintenance or preservation or efforts to relet the Leased Premises or the appointment of a receiver upon initiation of Landlord or other legal proceeding granting Landlord or its agent possession to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession.

(b) In the event that Landlord shall elect to so relet, then rentals received by Landlord from such reletting shall be applied: first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any cost of such reletting; third, to the payment of the cost of any alterations and repairs to the Leased Premises; fourth, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder. Should that portion of such rentals received from such reletting during any month, which is applied by the payment of rent hereunder, be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

(c) No reentry or taking possession of the Leased Premises or any other action under this Section shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

(d) Landlord has the remedy described in California Civil Code Section 1951.4 (Landlord may continue Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has right to sublet or assign, subject only to reasonable limitations).

25.5 No Waiver. Efforts by Landlord to mitigate the damages caused by Tenant's default in this Lease shall not constitute a waiver of Landlord's right to recover damages hereunder, nor shall Landlord have any obligation to mitigate damages hereunder.

25.6 Curing Defaults. Should Tenant fail to repair, maintain, and/or service the Leased Premises, or any part or contents thereof at any time or times, or perform any other obligations imposed by this Lease or otherwise, then after having given Tenant reasonable notice of the failure or failures and a reasonable opportunity which in no case shall exceed thirty (30) days, to remedy the failure, Landlord may perform or contract for the performance of the repair, maintenance, or other Tenant obligation, and Tenant shall pay Landlord for all direct and indirect costs incurred in connection therewith within thirty (30) days of receiving a bill therefor from Landlord.

25.7 Cumulative Remedies. The various rights, options, election powers, and remedies of Landlord contained in this Article and elsewhere in this Lease shall be construed as cumulative and no one of them exclusive of any others or of any legal or equitable remedy which Landlord might otherwise have in the event of breach or default, and the exercise of one right or remedy by Landlord shall not in any way impair its right to any other right or remedy.

ARTICLE 26 BANKRUPTCY

26.1 Bankruptcy Events. If at any time during the term of this Lease there shall be filed by or against Tenant in any court pursuant to any statute either of the United States or of any state a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Tenant's property, or if a receiver or trustee takes possession of any of the assets of Tenant, or if the leasehold interest herein passes to a receiver, or if Tenant makes an assignment for the benefit of creditors or petitions for or enters into an arrangement (any of which are referred to herein as "**a bankruptcy event**"), then the following provisions shall apply:

(a) Assume or Reject. At all events any receiver or trustee in bankruptcy or Tenant as debtor in possession ("**debtor**") shall either expressly assume or reject this Lease within the earlier of one hundred twenty (120) days following the filing of a petition in bankruptcy or entry of an "Order for Relief" or such earlier period of time provided by law.

(b) Cure. In the event of an assumption of the Lease by a debtor, receiver or trustee, such debtor, receiver or trustee shall immediately after such assumption (1) cure any default or provide adequate assurances that defaults will be promptly cured; and (2) compensate Landlord for actual pecuniary loss or provide adequate assurances that compensation will be made for actual pecuniary loss; and (3) provide adequate assurance of future performance.

(c) Adequate Assurance. For the purposes of paragraph 26.1(b), adequate assurance of future performance of all obligations under this Lease shall include, but is not limited to:

(1) written assurance that rent and any other consideration due under the Lease shall first be paid before any other of Tenant's costs of operation of its business in the Leased Premises is paid;

(2) written agreement that assumption of this Lease will not cause a breach of any provision hereof including, but not limited to, any provision relating to use or exclusivity in this or any other Lease, or agreement relating to the Leased Premises, or if such a breach is caused, the debtor, receiver or trustee will indemnify Landlord against such loss (including costs of suit and attorneys' fees), occasioned by such breach;

(d) Landlord's Obligation, Where a default exists under the Lease, the party assuming the Lease may not require Landlord to provide services or supplies incidental to the Lease before its assumption by such trustee or debtor, unless Landlord is compensated under the terms of the Lease for such services and supplies provided before the assumption of such Lease.

(e) Assignment. The debtor, receiver, or trustee may assign this Lease only if adequate assurance of future performance by the assignee is provided, whether or not there has been a default under the Lease. Any consideration paid by any assignee in excess of the rental reserved in the Lease shall be the sole property of, and paid to, Landlord. Upon assignment by the debtor or trustee, the obligations of the Lease shall be deemed to have been assumed, and the assignee shall execute an assignment agreement on request of Landlord.

(f) Fair Value. Landlord shall be entitled to the fair market value for the Leased Premises and the services provided by Landlord (but in no event less than the rental reserved in the Lease) subsequent to the commencement of a bankruptcy event.

(g) Reservation of Rights. Landlord specifically reserves any and all remedies available to Landlord in Article 25 hereof or at law or in equity in respect of a bankruptcy event by Tenant to the extent such remedies are permitted by law.

ARTICLE 27 SURRENDER OF LEASE

27.1 No Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work as a merger, and shall, at the option of Landlord, terminate all or any existing subleases or subtenancies, or may, at the option of Landlord, operate as an assignment to it of any or all such subleases or subtenancies.

ARTICLE 28 LANDLORD'S EXCULPATION

28.1 Limited Liability. Redress for any claim against Landlord under this Lease shall be limited to and enforceable only against and to the extent of Landlord's interest in the complex. The obligations of Landlord shall not be personally binding on, nor shall any resort be had to the private properties of, any of its or its investment manager's trustees, directors, officers, partners, beneficiaries, members, stockholders, employees, or agents, and in no case shall Landlord be liable to Tenant hereunder for any lost profits, damage to business, or any form of special, indirect or consequential damages.

ARTICLE 29 ATTORNEYS' FEES

29.1 Attorneys' Fees. In the event of any litigation or arbitration (if each party in its sole and absolute discretion elects to use arbitration) proceeding between the parties with respect to this Lease, then all costs and expenses, including without limitation, all reasonable professional fees such as appraisers', accountants' and attorneys' fees, incurred by the prevailing party therein shall be paid or reimbursed by the other party. The "**prevailing party**" means the party determined by the court or arbitrator (if the parties elected to use arbitration) to have most nearly prevailed, even if such party did not prevail in all matters, not necessarily the one in whose favor a judgment is rendered. Should Landlord be named as a defendant or requested or required to appear as a witness or produce any documents in any suit brought by Tenant against any other party or against Tenant in connection with or arising out of Tenant's occupancy hereunder, Tenant shall pay to Landlord its costs and expenses incurred in such suit, including without limitation, all reasonable professional fees such as appraisers', accountants' and attorneys' fees. The provisions of this section shall survive the expiration or termination of this Lease.

ARTICLE 30 NOTICES

30.1 Writing. All notices, demands and requests required or permitted to be given or made under any provision of this Lease shall be in writing. A notice shall be sufficiency given for all purposes as follows:

(a) When personally delivered to the recipient, notice is effective on delivery.

(b) When mailed first class to the last address of the recipient known to the party giving notice, notice is effective on delivery.

(c) When mailed by certified mail with return receipt requested, notice is effective on receipt if delivery is confirmed by a return receipt.

(d) When delivered by overnight delivery by FedEx or other reputable courier service with charges prepaid or charged to the sender's account, notice is effective on delivery if delivery is confirmed by the delivery service.

(e) When sent by email transmission, notice is effective, provided sender receives no "undeliverable" notification and such notice is concurrently delivered by one of the other means set forth in this Section 30.1; however, notice given by email that is sent after 5 p.m. (recipient's time) or on a nonbusiness day shall be considered to have been received on the next business day.

If a representative is not generally available during normal business hours to accept delivery or receipt of a notice, then a notice of default or other notice may be sent by first class mail to the last address of the recipient known to the party giving the notice, in which case such notice is effective on the third day after deposit such notice in the mail. A notice may be sent by a party's attorney. Any correctly addressed notice that is refused, unclaimed, or undelivered because of an act or omission or the party to be notified shall be considered to be effective as of the first date that the notice was refused, unclaimed or considered undeliverable by postal authorities, messenger, or overnight delivery service.

ARTICLE 31 SUBORDINATION AND FINANCING PROVISIONS

31.1 Priority of Encumbrances. This Lease is subordinate to any ground lease, mortgage, deed of trust or any other hypothecation for security now or hereafter placed upon the real property of which the Leased Premises are a part and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. If any mortgagee, trustee or ground lessor shall elect to have this Lease prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

Landlord has informed Tenant that the Complex is currently encumbered by an existing deed of trust. At Tenant's sole cost and expense, Landlord shall request the beneficiary (or its servicer) of the existing deed of trust that encumbers the Complex as of the date hereof to issue its standard subordination, non-disturbance and attornment agreement ("**SNDA**"), pursuant to which such beneficiary agrees to recognize this Lease in the event of default under such Security Instrument or sale under such existing deed of trust, so long as Tenant is not in default hereunder beyond all applicable notice and cure periods. Landlord's sole obligation under this section is to request such SNDA. Tenant is responsible for paying all costs and expenses charged by such beneficiary and its servicer or such SNDA, including, without limitation, the lender attorneys' fees and disbursements. Obtaining the SNDA is not a condition precedent or subsequent to the Lease. The failure of such beneficiary to issue its SNDA shall not relieve Tenant of any of its obligations under this Lease.

31.2 Execution of Documents. Tenant agrees to execute any documents required to further effectuate such subordination or to make this Lease prior to the lien of any mortgage, deed of trust or ground lease, as the case may be, if requested by Landlord or any lender.

31.3 Attornment. If the holder of any ground lease, mortgage, deed of trust or security described above (or its successor-in-interest), enforces its remedies provided by law or under the pertinent mortgage, deed of trust or security instrument and succeeds to Landlord's interest in the Leased Premises, Tenant shall, upon request of any person succeeding to the interest of such lender as result of such enforcement, automatically become the Tenant of said successor-in-interest without change in the terms or other provisions of this Lease, provided, however, that said successor-in-interest shall not be (i) bound by any payment of rent for more than thirty (30) days in advance, except prepayment in the nature of security for the performance by Tenant of its obligations under this Lease, (ii) liable for any act or omission of any previous landlord (including Landlord), provided that as successor landlord it shall be obligated to cure any continuing default of the prior landlord of which it has received prior written notice and shall be liable for acts or omissions accruing or arising after such successor's succession to the position of landlord and commencement of control and management of the Property, (iii) subject to any offset, defense, recoupment or counterclaim that Tenant may have given to any previous landlord (including Landlord), or (iv) liable for any deposit that Tenant may have given to any previous landlord (including Landlord) that has not, as such, been transferred to said successor-in-interest. Within ten (10) days after receipt of request by said successor-in-interest, Tenant shall execute and deliver an instrument or instruments confirming such attornment, including a non-disturbance, attornment and subordination agreement in a form required by any such successor-in-interest.

31.4 Notice and Right to Cure Default. Tenant agrees to give any mortgagee(s) and/or trust deed holders, by registered mail, a copy of any notice of default served upon Landlord, provided that prior to such notice Tenant has been notified, in writing (by way of Notice of Assignment of Rents and Leases, or otherwise), of the address of such mortgagees and/or trust deed holders. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the mortgagees and/or trust deed holders shall have an additional thirty (30) days within which to cure such default or, if such default cannot be cured within that time, then such additional time as may be necessary if, within such thirty (30) days, any mortgagee and/or trust deed holder has commenced and is diligently pursuing the remedies necessary to cure such default (including but not limited to commencement of foreclosure proceedings, if necessary to effect such cure), in which event this Lease shall not be terminated while such remedies are being so diligently pursued.

ARTICLE 32 ESTOPPEL CERTIFICATES

32.1 Execution by Tenant. Within ten (10) business days after receipt of written request by Landlord, Tenant shall execute and deliver to Landlord an estoppel certificate acknowledging such facts regarding this Lease as Landlord may reasonably require, including without limitation, that to the extent of Tenant's knowledge (i) this Lease is in full force and effect, binding and enforceable in accordance with its terms and unmodified (or if modified, specifying the written modification documents); (ii) no default exists on the part of Landlord or Tenant under this Lease; (iii) there are no events which with the passage of time, or the giving of notice, or both, would create a default under this Lease; (iv) no rent in excess of one month's rent has been paid in advance; (v) Tenant has not received any written notice of any other sale, assignment, transfer, mortgage or pledge of this Lease or the rent due hereunder; and (vi) Tenant has no defense, setoff, recoupment or counterclaim against Landlord. Any such estoppel certificate may be relied upon by Landlord, any lender and any prospective purchaser of the Building or Complex or any interest therein. Failure to comply with this Article shall be a material breach of this Lease by Tenant giving Landlord all rights and remedies under this Lease.

32.2 Financial Statements. At Landlord's request not more than twice per calendar year, Tenant shall deliver to Landlord a copy, certified by an officer of Tenant as being a true and correct copy, of Tenant's most recent audited financial statement, or, if unaudited, certified by Tenant's chief financial officer as being true, complete and correct in all material respects. Landlord shall maintain such statements in strictest confidence, except Landlord may disclose such statements to its officers, members, employees, attorneys, accountants and existing and potential lenders, investors and buyers, provided Landlord notifies such parties of the confidential nature of such statements.

ARTICLE 33 MISCELLANEOUS PROVISIONS

33.1 Effect of Waiver. The waiver by Landlord or Tenant of any breach of any Lease provision by the other party shall not be deemed to be a waiver of such Lease provision or any subsequent breach of the same or any other term, covenant or condition therein 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 provision of this Lease, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. Any failure by Landlord or Tenant to insist upon strict performance by the other of this Lease of any of the terms and provisions of the Lease or any guaranty of this Lease shall not be deemed to be a waiver of any of the terms or provisions of the Lease or such guaranty, and Landlord or Tenant, as the case may be, shall have the right thereafter to insist upon strict performance by the other of any and all of them.

33.2 Holding Over. Tenant shall pay Landlord for each day Tenant retains possession of the Leased Premises or part of them after termination of this Lease by lapse of time or otherwise at the rate ("**Holdover Rate**") which shall be One Hundred Fifty Percent (150%) of the amount of the Minimum Monthly Rent for the last period prior to the date of such termination plus Tenant's Proportionate Share of Operating Costs, Real Estate Taxes and Insurance prorated on a daily basis, and also pay all damages sustained by Landlord by reason of such retention. If Landlord gives notice to Tenant of Landlord's election to such effect, such holding over shall constitute renewal of this Lease for a period from month to month at the Holdover Rate, but if the Landlord does not so elect, no such renewal shall result notwithstanding acceptance by Landlord of any sums due hereunder after such termination; and instead, a tenancy at sufferance at the Holdover Rate shall be deemed to have been created. In any event, no provision of this Section 33.2 shall be deemed to waive Landlord's right of reentry or any other right under this Lease or at law. Additionally, in the event that upon termination of the Lease, Tenant has not fulfilled its obligation with respect to repairs and cleanup of the Leased Premises or any other Tenant obligations as set forth in this Lease, then Landlord shall have the right to perform any such obligations as it deems necessary at Tenant's sole cost and expense, and any time required by Landlord to complete such obligations shall be considered a period of holding over and the terms of this section shall apply.

33.3 Binding Effect. The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all of the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

33.4 Time of the Essence. Time is of the essence of this Lease with respect to each and every article, section and subsection hereof.

33.5 Release of Landlord. If, during the term of this Lease, Landlord shall sell its interest in the Building or Complex of which the Leased Premises form a part, or the Leased Premises, then from and after the effective date of the sale or conveyance and the assumption in writing by the buyer of the obligations of Landlord under this Lease accruing from and after the effective date of such sale or conveyance. Landlord shall be released and discharged from any and all obligations and responsibilities under this Lease, except those already accrued.

33.6 Rules and Regulations. Landlord or such other person(s) as Landlord may appoint shall have the exclusive control and management of the Common Areas and Building and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations with respect thereto. Tenant agrees to abide by and conform to all such rules and regulations, and to cause its employees, suppliers, shippers, customers, and invitees to so abide and conform. Landlord shall not be responsible to Tenant for the non-compliance with said rules and regulations by other tenants of the Building or Complex.

33.7 Transfer to Purchaser. If any security be given by Tenant to secure the faithful performance of all or any of the covenants of this Lease on the part of Tenant, Landlord may transfer and/or deliver the security, as such, to the purchaser of the reversion, in the event that the reversion be sold, and thereupon Landlord shall be discharged from any further liability in reference thereto.

33.8 Late Charges. Tenant acknowledges that late payment by Tenant to Landlord of rent or any other payment due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impractical to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and note secured by any encumbrance covering the Leased Premises. Therefore, if any installment of rent, or any other payment due hereunder from Tenant is not received by Landlord when due, Tenant shall pay to Landlord an additional sum of five percent (5%) of such rent or other charge as a late charge; provided, however, that Landlord agrees that Tenant shall not have to pay such late charge if it makes its payment in full within five (5) business days after receipt of written notice from Landlord, except that this notice and cure period shall only be applicable for the first time each calendar year that Tenant fails to pay any Minimum Monthly Rent or any additional rent when due. If Landlord has provided a notice of a late payment or default during a calendar year, Landlord shall not be obligated to provide any notice thereafter for the remainder of such calendar year and such late charge shall be due if payment is not made when due without any grace period or notice. The parties agree that this late charge represents a fair and reasonable estimate of the cost that Landlord will incur by reason of late payment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant default with respect to the overdue amount, or prevent Landlord from exercising any other rights or remedies available to Landlord.

33.9 Interest. Any amount owed by Tenant to Landlord which is not paid within ten (10) days when due shall bear interest at the lesser of ten percent (10%) per annum or the maximum rate of interest permitted to be contracted for by law. However, interest shall not be payable on late charges to be paid by Tenant under this Lease. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Lease.

33.10 Authorization to Execute. If Tenant is a corporation, limited liability company, partnership or other entity, Tenant represents that each individual executing this Lease on behalf of said organization is duly authorized to execute and deliver this Lease on behalf of said organization in accordance with a duly adopted resolution or other applicable authorization of said organization, and that this Lease is binding upon said organization in accordance with its terms. Further, if requested by Landlord, Tenant shall, within thirty (30) days after such request, deliver to Landlord a certified copy of a resolution or other applicable authorization of said organization authorizing or ratifying the execution of this Lease.

33.11 Captions. The captions of this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms and provisions of this Lease.

33.12 Number and Gender. Whenever the singular number is used in this Lease and when required by the context, the same shall include the plural, the plural shall include the singular, and the masculine gender shall include the feminine and neuter genders, and the word "person" shall include corporation, firm or association. If there be more than one Tenant, the obligations imposed under this Lease upon Tenant shall be joint and several.

33.13 Modifications. This instrument contains all of the agreements, conditions and representations made between the parties to this Lease and may not be modified orally or in any other manner than by an agreement in writing signed by all of the parties to this Lease.

33.14 Payments. Except as otherwise expressly stated, each payment required to be made by Tenant shall be in addition to and not in substitution for other payments to be made by Tenant.

33.15 Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

33.16 No Offer. The preparation and submission of a draft of this Lease by either party to the other shall not constitute an offer, nor shall either party be bound to any terms of this Lease or the entirety of the Lease itself until both parties have fully executed a final document and an original signature document (or copy of a signed document) has been received by both parties. Until such time as described in the previous sentence, either party is free to terminate negotiations with no obligation to the other.

33.17 Light, Air and View. No diminution of light, air, or view by any structure which may hereafter be erected (whether or not by Landlord) shall entitle Tenant to any reduction of Rent, result in any liability of Landlord to Tenant, or in any other way affect this Lease or Tenant's obligations hereunder.

33.18 Public Transportation Information. Tenant shall establish and maintain during the Term hereof a program to encourage maximum use of public transportation by personnel of Tenant employed on the Leased Premises, including without limitation the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Complex, staggering working hours of employees, and encouraging use of such facilities, all at Tenant's sole reasonable cost and expense. Tenant shall comply with all requirements of any local transportation management ordinance.

33.19 Joint and Several Liability. Should Tenant consist of more than one person or entity, they shall be jointly and severally liable on this Lease.

33.20 Survival of Obligations. All obligations of Tenant which may accrue or arise during the term of this Lease or as a result of any act or omission of Tenant during said term shall, to the extent they have not been fully performed, satisfied or discharged, survive the expiration or termination of this Lease.

33.21 Real Estate Brokers. Landlord and Tenant each represents and warrants to the other party that it has not authorized, retained or employed, or acted by implication to authorize, retain or employ, any real estate broker or salesman to act for it or on its behalf in connection with this Lease so as to cause the other party to be responsible for the payment of a brokerage commission, except for the Broker(s) identified in Article 1. Landlord and Tenant shall each indemnify, defend and hold the other party harmless from and against any and all claims by any real estate broker or salesman (other than the Brokers) whom the indemnifying party authorized, retained or employed, or acted by implication to authorize, retain or employ, to act for the indemnifying party in connection with this Lease. Landlord shall pay all fees due such Brokers pursuant to separate written agreements between Landlord and each such Broker.

33.22 Waiver of California Code Sections. In this Lease, numerous provisions have been negotiated by the parties, some of which provisions are covered by statute. Whenever a provision of this Lease and a provision of any statute or other law cover the same matter, the provisions of this Lease shall control. Therefore, Tenant waives (for itself and all persons claiming under Tenant) the provisions of Civil Code Sections 1932(2) and 1933(4) with respect to the destruction of the Leased Premises; Civil Code Sections 1941 and 1942 with respect to Landlord's repair duties and Tenant's right to repair; Code of Civil Procedure Section 1265.130, allowing either party to petition the Superior Court to terminate this Lease in the event of a partial taking of the Leased Premises by condemnation as herein defined; and any right of redemption or reinstatement of Tenant under any present or future case law or statutory provision (including Code of Civil Procedure Sections 473 and 1179 and Civil Code Section 3275) in the event Tenant is dispossessed from the Leased Premises for any reason. This waiver applies to future statutes enacted in addition to or in substitution for the statutes specified herein.

33.23 Quiet Enjoyment. So long as Tenant pays all of the Minimum Monthly Rent, all additional rent and other sums and charges under the Lease and otherwise performs all of its obligations in the Lease, Tenant shall have the right to possession and quiet enjoyment of the Leased Premises without hindrance from Landlord or any party claiming by, through, or under Landlord, but not otherwise, subject to the terms and conditions of this Lease.

33.24 Representation. Tenant and to its best knowledge any partner, manager, or shareholder of Tenant with a 10% or more equity ownership interest in Tenant (a) is not listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("**OFAC**") pursuant to the Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) ("**Order**"); (b) is not listed on any other list of terrorists or terrorist organizations maintained pursuant to the Order, the rules and regulations of OFAC or any other applicable requirements contained in any enabling legislation or other Executive Orders in respect of the Order (the Order and such other rules, regulations, legislation or orders are collectively called the "**Orders**"); (c) is not engaged in activities prohibited in the Orders; or (d) has not been convicted, pleaded nolo contendere, indicted, arraigned or custodially detained on charges involving money laundering or predicate crimes to money laundering.

33.25 Counterparts. This Lease may be executed in one or more counterparts, including any facsimile or other electronic version of same, each of which shall be deemed an original, but all of which when taken together shall constitute one agreement. Any facsimile or other electronic signature shall constitute a valid and binding method for executing this Lease. Executed counterparts of this Lease exchanged by facsimile transmission or other electronic means shall be fully enforceable.

[the balance of this page has been intentionally left blank; signature page follows]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first written above.

TENANT: TERNS, INC.,
a Delaware corporation

By: /s/ Weidong Zhong
Name: Weidong Zhong
Its: CEO

LANDLORD: DWF IV CENTURY PLAZA, LLC,
a Delaware limited liability company

By: Divco West Real Estate Services, Inc.,
a Delaware corporation
Its Agent

By: /s/ Michael Pelletier
Name: Michael Pelletier
Its: Authorized Signatory

EXHIBIT A – OUTLINE OF THE LEASED PREMISES AND OUTDOOR PATIO AREA

Exhibit A is intended only to show the general layout of the Leased Premises and Outdoor Patio Area as of the beginning of the Term of this Lease. The depiction of interior windows, cubicles, modules, furniture and equipment in this Exhibit is for illustrative purposes only, but does not mean that such items exist. Landlord is not required to provide, install or construct any such items. It does not in any way supersede any of Landlord's rights set forth in the Lease with respect to arrangements and/or locations of public parts of the Building and changes in such arrangements and/or locations. It is not to be scaled; any measurements or distances shown should be taken as approximate. The inclusion of elevators, stairways electrical and mechanical closets, and other similar facilities for the benefit of occupants of the Building does not mean such items are part of the Leased Premises.

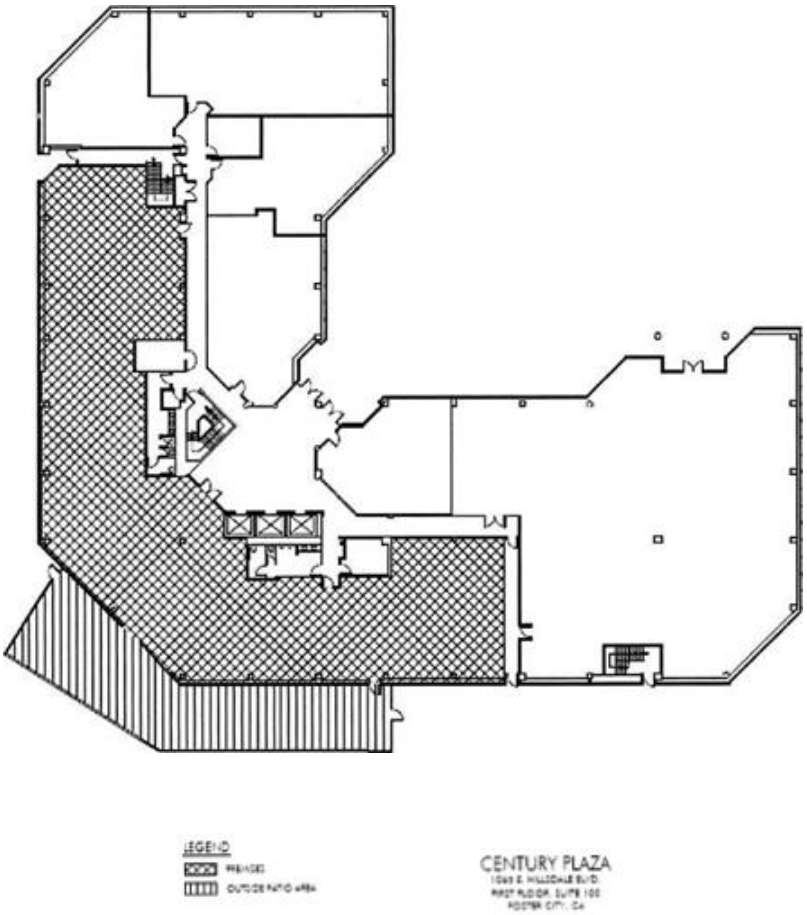


EXHIBIT B – Intentionally Deleted

EXHIBIT C – ACKNOWLEDGEMENT OF COMMENCEMENT DATE

This Acknowledgement of Commencement Date ("**Acknowledgement**" is dated as of _____, 2019 between DWF IV CENTURY PLAZA, LLC, a Delaware limited liability company ("**Landlord**"), and TERNS, INC., a Delaware corporation ("**Tenant**"), who entered into a lease dated for reference purposes as of March _____, 2019 covering certain premises located in Suite 100 of the building at 1065 Hillsdale Boulevard, Foster City, California. All capitalized terms, if not defined herein, shall be defined as they are defined in the Lease.

1. The parties to this document hereby agree that the date of Mayl, 2019 is the "Commencement Date" of the Term, and the date of _____, 2019 is the Delivery Date.

2. Tenant hereby confirms that it has accepted possession of Leased Premises pursuant to the terms of the Lease.

3. This agreement, each and all of the provisions hereof, shall inure to the benefit, or bind, as the case may require, the parties hereto, and their respective heirs, successors, and assigns subject to the restrictions upon assignment and subletting contained in the Lease.

4. Each party represents and warrants to the other that it is duly authorized to enter into this Acknowledgement and perform its obligations without the consent or approval of any other party and that the person signing on its behalf is duly authorized to sign on behalf of such party.

5. This document may be executed in one or more counterparts, including any facsimile or other electronic version of same, each of which shall be deemed an original, but all of which when taken together shall constitute one agreement. Any facsimile or other electronic signature shall constitute a valid and binding method for executing this document. Executed counterparts of this document exchanged by facsimile transmission or other electronic means shall be fully enforceable.

LANDLORD:

DWF IV CENTURY PLAZA, LLC,
a Delaware limited liability company

By: Divco West Real Estate Services, Inc.
A Delaware corporation
Its Agent

By: _____
Name: _____
Its: _____

TENANT:

TERNS, INC.,
a Delaware corporation

By: _____
Name: _____
Its: _____

EXHIBIT D – RULES AND REGULATIONS

All capitalized terms referred to in this Exhibit shall have the same meaning provided in the Office Lease to which this Exhibit is attached, except where expressly provided to the contrary in this Exhibit E.

1. No sidewalks, entrance, passages, courts, elevators, vestibules, stairways, corridors or halls shall be obstructed or encumbered by Tenant or used for any purpose other than ingress and egress to and from the Leased Premises and if the Leased Premises are situated on the ground floor of the Building, Tenant shall further, at Tenant's own expense, keep the sidewalks and curb directly in front of the Leased Premises clean and free from rubbish.

2. No awning or other projection shall be attached to the outside walls or windows of the Building or Complex without the prior written consent of Landlord in its sole and absolute discretion. No curtains, blinds, shades, drapes or screens shall be attached to or hung in, or used in connection with any window or door of the Leased Premises, without the prior written consent of Landlord in its sole and absolute discretion. Such awnings, curtains, blinds, shades, drapes, screens and other fixtures must be of a quality, type, design, color, material and general appearance approved by Landlord, and shall be attached in the manner approved by Landlord in its sole and absolute discretion. All lighting fixtures hung in offices or spaces along the perimeter of the Leased Premises must be of a quality, type, design, bulb color, size and general appearance approved by Landlord.

3. No sign, advertisement, notice, lettering, decoration or other thing shall be exhibited, inscribed, painted or affixed by Tenant on any part of the outside or inside of the Leased Premises or of the Building, without the prior written consent of Landlord in its sole and absolute discretion. In the event of the violation of the foregoing by Tenant, Landlord may remove same without any liability, and may charge the expense incurred by such removal to Tenant.

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

5. No show cases or other articles shall be put in front of or affixed to any part of the exterior of the Building or Complex, nor placed in public portions thereof without the prior written consent of Landlord.

6. The restrooms, toilets, wash bowls, and other apparatus shall not be used for any purpose other than that for which they were constructed, and no sweepings, rubbish, rags or other foreign substance of any kind shall be thrown into them. The expense of any breakage, stoppage, or damage resulting from violation of this rule shall be borne by the tenant who caused, or whose agents, servants, employees, contractors, visitors or licensees caused, the breakage, stoppage, or damage.

7. Tenant shall not mark, paint, drill into or in any way deface any part of the Leased Premises or the Building or Complex. No boring, cutting or stringing of wires shall be permitted, except with the prior written consent of Landlord, and as Landlord may direct, in its sole and absolute discretion.

8. No animal or bird or bicycle or vehicle of any kind shall be brought into or kept in or about the Leased Premises, Building or Complex, except seeing-eye dogs or other seeing-eye animals or other animals or equipment required by any disabled employee or invitee of Tenant.

9. Prior to leaving the Leased Premises for the day, Tenant shall draw or lower window coverings and extinguish all lights. Tenant shall assume all responsibility, including keeping doors locked and other means of entry to the Leased Premises closed, for protecting the Leased Premises from theft, robbery, and pilferage.

10. Tenant shall not make, or permit to be made, any unseemly or disturbing noises or disturb or interfere with any occupant of the Building or Complex, or neighboring buildings or premises, or those having business with them. Tenant shall not harass or annoy any occupant of the Building or Complex, including, without limitation, any act or conduct that may violate, breach or infringe upon any federal, state or local laws or civil rights, including those pertaining to the protection of the civil rights of any person based on sex, race, religion, sexual preference, age or other consideration. Tenant shall not throw anything out of the doors, windows or skylights or down the passageways.

11. Neither Tenant nor any of Tenant's agents, servants, employees, contractors, visitors or licensees shall at any time bring or keep upon the Leased Premises, Building or Complex any flammable, combustible or explosive fluid, chemical or substance.

12. No additional locks, bolts or mail slots of any kind shall be placed upon any of the doors or windows by Tenant, nor shall any change be made in existing locks or the mechanism thereof. Tenant must, upon the termination of the tenancy, restore to Landlord all keys of stores, offices and toilet rooms, either furnished to, or otherwise procured by Tenant, and in the event of the loss of any keys so furnished, Tenant shall pay to Landlord the cost thereof.

13. No furniture, freight, or equipment of any kind may be brought into or out of the Building without prior notice to Landlord. All moving activity into or out of the Building must be scheduled with Landlord and done only at the time and in the manner designated by Landlord. No service deliveries (other than messenger services) shall be allowed between the hours of 7:00 a.m. and 9:00 a.m., 12:00 p.m. and 1:00 p.m., and 4:00 p.m. and 6:00 p.m., Monday through Friday. Landlord may at any time restrict the elevators and areas of the Building into which messengers may enter and may require that deliveries be left at the lobby security desk for pickup by Tenant. Landlord may prescribe the weight, size, and position of all safes and other heavy property brought into the Building and the times and manner of moving those items within and out of the Building. Tenant shall not overload the floor of the Leased Premises. If considered necessary by Landlord, safes and other heavy objects must stand on supports that are adequate to distribute the weight properly. Landlord shall not be responsible for loss of or damage to any safe or property. Any damage to any part of the Building or to its contents, occupants, or visitors caused by moving or maintaining any safe or other property referred to in this clause shall be the sole responsibility and expense of Tenant. Landlord reserves the right to inspect all safes, freight or other bulky articles to be brought into the Building and to exclude from the Building all safes, freight or other bulky articles which violate any of these Rules and Regulations or the Lease of which these Rules and Regulations are a part. No packages, supplies, equipment, or merchandise may be received in the Building or carried up or down in the elevators, except between those hours and in that specific elevator that Landlord shall designate.

14. Landlord shall have the right to prohibit any advertising or business conducted by Tenant referring to the Building which, in Landlord's good faith opinion, tends to impair the reputation of the Building or its desirability as a first class building for offices and/or commercial services and upon notice from Landlord, Tenant shall refrain from or discontinue such advertising.

15. Landlord reserves the right to exclude from the Building between the hours of 6:00 p.m. and 8:00 a.m. Monday through Friday, after 1:00 p.m. on Saturdays and at all hours Sundays and legal holidays, all persons who do not present a pass to the Building issued by Landlord. Such hours are subject to change in Landlord's sole and absolute discretion upon written from Landlord. Landlord may furnish passes to Tenant so that Tenant may validate and issue same. Tenant shall safeguard said passes and shall be responsible for all acts of persons in or about the Building who possess a pass issued to Tenant. Landlord reserves the right to exclude or expel from the Building and Complex any person who, in Landlord's judgment, is under the influence of alcohol or drugs or commits any act in violation of any of these Rules and Regulations.

16. When departing after the Building's normal business hours, Tenant and Tenant's employees and agents must be sure that the doors to the Building are securely closed and locked. Any person, including Tenant and Tenant's employees and agents, who enters or leaves the Building at any time when it is locked or at any time considered to be after the Building's normal business hours, 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 previously arranged a pass for access to the Building. Landlord and its agents shall not be liable for damages for any error concerning the admission to, or exclusion from, the Building of any person. Landlord reserves the right, in the event of invasion, mob, riot, public excitement, or other commotion, to prevent access to the Building or Complex during the continuance of that event by any means it considers appropriate for the safety and protection of life and property.

17. Tenant's contractors shall, while in the Leased Premises, Building or elsewhere in the Complex, be subject to and under the control and direction of the Building Manager (but not as agent or servant of said Building Manager or of Landlord).

18. If the Leased Premises is or becomes infested with vermin as a result of the use or any misuse or neglect of the Leased Premises by Tenant, its agents, servants, employees, contractors, visitors or licensees, Tenant shall forthwith at Tenant's expense cause the same to be exterminated from time to time to the satisfaction of Landlord and shall employ such licensed exterminators as shall be approved in writing in advance by Landlord.

19. The requirements of Tenant will be attended to only upon application at the office of the Building. Building personnel shall not perform any work or do anything outside of their regular duties unless under special instructions from the office of the Landlord.

20. Tenant and Tenant's employees, agents, contractors and invitees shall not loiter in or on the entrances, corridors, sidewalks, lobbies, halls, stairways, elevators, or common areas for the purpose of smoking tobacco products or for any other purpose. Tenant and Tenant's employees and agents shall not obstruct those areas but use them only as a means of ingress to and egress from the Leased Premises, Building or Complex. Canvassing, soliciting and peddling in the Building or Common Areas of the Complex are prohibited and Tenant shall cooperate to prevent the same.

21. No air conditioning unit or system or other apparatus shall be installed or used by Tenant without the written consent of Landlord in its sole and absolute discretion. Tenant shall not waste electricity, water, or air-conditioning and shall cooperate fully with Landlord to ensure the most effective operation of the Building's heating and air-conditioning system.

22. There shall not be used in any premises, or in the public halls, plaza areas, lobbies, or elsewhere in the Building or Complex, either by Tenant or by jobbers or others, in the delivery or receipt of merchandise, any hand trucks or dollies, except those equipped with rubber tires and sideguards.

23. Tenant, Tenant's agents, servants, employees, contractors, licensees, or visitors shall not park any vehicles in any driveways, service entrances, or areas posted "No Parking" and shall comply with any other parking restrictions imposed by Landlord from time to time.

24. Tenant shall install and maintain, at Tenant's sole cost and expense, an adequate visibly marked (at all times properly operational) fire extinguisher next to any duplicating or photocopying machine or similar heat producing equipment, which may or may not contain combustible material, in the Leased Premises, Building or Complex.

25. Tenant shall keep its window coverings closed during any period of the day when the sun is shining directly on the windows of the Leased Premises.

26. Tenant shall not use the name of the Building for any purpose other than as the address of the business to be conducted by Tenant in the Leased Premises, nor shall Tenant use any picture of the Building in its advertising, stationery or in any other manner without the prior written permission of Landlord. Landlord expressly reserves the right at any time to change said name without in any manner being liable to Tenant therefor.

27. Tenant shall not prepare any food nor do any cooking, operate or conduct any restaurant, luncheonette or cafeteria for the sale or service of food or beverages to its employees or to others, except that food and beverage preparation by Tenant's employees using microwave ovens or coffee makers shall be permitted; provided, however, no popcorn may be cooked, heated or otherwise prepared in any microwave oven or any other equipment in the Leased Premises and no odors of cooking or other processes may emanate from the Leased Premises. Tenant shall not install or permit the installation or use of any vending machine or permit the delivery of any food or beverage to the Leased Premises except by such persons and in such manner as are approved in advance in writing by Landlord.

28. Business machines and mechanical equipment shall be placed and maintained by Tenant at Tenant's expense in settings sufficient in Landlord's judgment to absorb and prevent vibration, noise and annoyance. Tenant shall not install any machine or equipment which causes noise, heat, cold or vibration to be transmitted to the structure of the Building in which the Leased Premises are located without Landlord's prior written consent in its sole and absolute discretion. Tenant shall not place a load upon any floor of the Leased Premises exceeding the floor load per square foot which such floor was designed to carry and which is allowed by law.

29. Smoking is prohibited in the Building, including, without limitation, the main lobby, all hallways, all elevators, all elevator lobbies and all restrooms.

30. Tenant shall store all trash and garbage within the interior of the Leased Premises. Tenant shall not place or have placed in the trash boxes or receptacles any material that may not or cannot be disposed of in the ordinary and customary manner of removing and disposing of trash in the vicinity of the Building. In disposing of trash and garbage, Tenant shall comply fully with any law or ordinance governing that disposal. All trash, garbage, and refuse disposal shall be made only through entry-ways and elevators provided for that purpose and shall be made only at times designated by Landlord.

31. Tenant shall comply with requests by Landlord that Tenant inform Tenant's employees of items of importance to Landlord.

32. Tenant may not introduce telephone, cable or other communication or telecommunication wires or other wires into the Leased Premises without first obtaining Landlord's approval of the method and location of such introduction. No boring or cutting for telephone wires or other wires shall be allowed without Landlord's consent. The location of telephones, call boxes, and other office equipment affixed to the Leased Premises shall be subject to Landlord's prior approval.

33. Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations or to make any additional reasonable Rules and Regulations that, in Landlord's sole and absolute discretion, may be necessary for (and shall provide Tenant with no less than 30 days' advance written notice of such changes to the Rules and Regulations):

33.1 The management, safety, care, and cleanliness of the Leased Premises, Building or Complex;

(b) The preservation of good order; or

(c) The convenience of other occupants and tenants in the Building or Complex.

In addition, (i) no such changes shall materially increase Tenant's obligations or liabilities hereunder or materially reduce Tenant's rights hereunder, and (ii) in case of any conflict or inconsistency between the provisions of this Lease and any of the rules and regulations as originally promulgated or as changed, the provisions of this Lease shall control. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenants. No waiver by Landlord shall be construed as a waiver of those Rules and Regulations in favor of any other tenant, and no waiver shall prevent Landlord from enforcing those Rules or Regulations against any other tenant of the Building or Complex.

EXHIBIT E – OPTION TO EXTEND AND FIRST REFUSAL TO EXPAND

This Exhibit E is made in connection with and is a part of that certain Office Lease by and between DWF IV CENTURY PLAZA, LLC, a Delaware limited liability company, as Landlord, and TERNS, INC., a Delaware corporation as Tenant, (the "**Lease**").

1. Definitions and Conflict. All capitalized terms referred to in this Exhibit shall have the same meaning as provided in the Lease, except as expressly provided to the contrary in this Exhibit. In case of any conflict between any term or provision of the Lease and any exhibits attached thereto and this Exhibit, this Exhibit shall control.

2. Option to Extend and Minimum Monthly Rent During the Extended Period: Tenant shall have one option to extend the initial Term of the Lease for a period of five (5) years (the period shall be referred to as the "**Extension Period**") by giving written notice of exercise of such option ("**Extension Option Notice**") at least twelve (12) months, but not more than fifteen (15) months, prior to the expiration of the initial Term. The Extension Period shall commence, if at all, immediately following the expiration of the initial Term of the Lease. Tenant may not exercise such option at any time that Tenant is in default under the terms of the Lease beyond any applicable notice and cure periods. The Extension Period shall be upon all of the terms and provisions of the Lease, except that (i) the Minimum Monthly Rent during such Extension Period shall be one hundred percent (100%) of then Fair Market Rent, (ii) any work, allowance, free rent, or concession provided by Landlord in connection with the commencement of the initial Term shall not apply; (iii) Tenant shall not have any additional option to extend; (iv) the Special Warranty Period for Base Operating Systems shall not apply; and (v) the First Refusal Right (as defined below) shall not apply.

2.1 Fair Market Rent. The term "**Fair Market Rent**" for purposes of determining Base Monthly Rent during the Extension Period shall mean the base monthly rent generally applicable to extensions or renewals of full service office leases at comparable class buildings of comparable size, age, quality of the Leased Premises in the Foster City-San Mateo, California area projected as of the first day of the Extension Period by giving due consideration for the quality of the Building and improvements therein (including the quality of the then existing improvements in the Leased Premises), the quality of the tenants' credit, for a term comparable to the Extension Period at the time the commencement of the Extension Period is scheduled to commence, and for comparable space that is not subleased or subject to another party's expansion rights or not leased to a tenant that holds an ownership interest in the landlord, without any deduction for amortization or cost of tenant improvements, allowances, capital improvements or commissions whether or not incurred by Landlord, and otherwise subject to the terms and conditions of this Lease that will be applicable during the Extension Period.

2.2 Procedure to Determine Fair Market Rent. Landlord shall notify Tenant in writing of Landlord's determination of the Fair Market Rent ("**Landlord's FMR**") within thirty (30) days after receipt of the Extension Option Notice. Within thirty (30) days after receipt of such written notice of Landlord's FMR, Tenant shall have the right either to: (i) accept Landlord's FMR, or (ii) elect to have the Fair Market Rent determined in accordance with the appraisal procedure set forth below. The failure of Tenant to provide written notice of its election under the preceding sentence shall be deemed a rejection of Landlord's FMR. The election (or deemed rejection) by Tenant under this section shall be non-revocable and binding on the parties.

2.3 Appraisers. If Tenant has elected (or deemed to have elected) to have the Fair Market Rent determined by an appraisal, then within ten (10) business days after receipt of Tenant's written notice of such an election, each party, by giving written notice to the other party, shall appoint a broker to render a written opinion of the Fair Market Rent for the Extension Period. Each broker must be a real estate broker licensed in the State where the Building is located for at least five years and with at least five years experience in the appraisal of rental rates of leases or in the leasing of space in full service office buildings in the area in which the Building is located and otherwise unaffiliated with either Landlord or Tenant. The two brokers shall render their written opinion of the Fair Market Rent for the Extension Period to Landlord and Tenant within thirty (30) days after the appointment of the second broker. If the Fair Market Rent of each broker is within three percent (3%) of each other, then the average of the two appraisals of Fair Market Rent shall be the Fair Market Rent for the Extension Period. If one party does not appoint its broker as provided above, then the one appointed shall determine the Fair Market Rent. The Fair Market Rent so determined under this section shall be binding on Landlord and Tenant.

2.4 Third Appraiser. If the Fair Market Rent determined by the brokers is more than three percent (3%) apart, then the two brokers shall pick a third broker within ten (10) days after the two brokers have rendered their opinions of Fair Market Rent as provided above. If the two brokers are unable to agree on the third broker within said ten (10) day period, Landlord and Tenant shall mutually agree on the third broker within ten (10) days thereafter. If the parties do not agree on a third qualified broker within ten (10) days, then at the request of either Landlord or Tenant, such third broker shall be promptly appointed by the then Presiding Judge of the Superior Court of the State of California for the County where the Building is located. The third broker shall be a person who has not previously acted in such capacity for either party and must meet the qualifications stated above.

2.5 Impartial Appraisal. Within thirty (30) days after its appointment, the third broker (the "**Third Party**"), shall render its written opinion by selecting the Fair Market Rent made Landlord's or Tenant's broker to be the Fair Market Rent for the Extension Period. The Third Party may not offer any different opinion or recommendation of Fair Market Rent. The Fair Market Rent determined in accordance with the foregoing procedure shall be binding on the parties.

2.6 Appraisal Costs. Each party shall bear the cost of its own appraiser and one-half (1/2) the cost of the third appraiser.

2.7 Acknowledgment of Rent. After the Fair Market Rent for the Extension Period has been established in accordance with the foregoing procedure, Landlord and Tenant shall promptly execute an amendment to the Lease to reflect the minimum monthly rent for the Extension Period.

2.8 Personal Option. The foregoing option to extend is personal to the original Tenant signing the Lease (and its Affiliates and Permitted Transferees), but may not be assigned or transferred to or exercised by any other assignee, sublessee or transferee under a Transfer.

3. Right of First Refusal to Expand. Provided that Tenant is not in default under any term or provision of the Lease beyond the applicable cure period, Tenant shall have a limited right of first refusal ("**First Refusal Right**") during the Term when there is at least three (3) years remaining on the Term (the "**First Refusal Period**") to lease available space, as determined by Landlord, only in first floor of the Building (the "**First Refusal Space**") on the following terms and conditions; provided, however, that the First Refusal Right shall not be applicable (i) to a renewal or extension of any existing lease whether by a tenant's exercise of an option or right to extend or renew or by mutual agreement of the parties to such renewal or extension, (ii) to any assignment or sublease of any then existing lease of any First Refusal Space, or (iii) to any expansion option or similar right granted to any other tenant in the Building pursuant to its lease prior to the date of this Lease, (iv) if Tenant has assigned the Lease or sublet or otherwise afforded any other party, whether by license or other arrangement, to use any portion of the Leased Premises, or (v) if Tenant is not in occupancy and actively conducting business in at least 50% of the Leased Premises, (v) to any proposal from a party to lease any portion of the First Refusal Space and any additional space in the Building, or (vi) if Tenant is in default of the Lease.

(a) Procedure. If Landlord receives or is ready to accept a proposal (which may be in the form of a bona fide non-binding letter of intent, memorandum of understanding or other written proposal, including any proposal in an email) from another party that is not a tenant in the Building (whose lease pre-dates the date of this Lease) to lease only all or any portion of the First Refusal Right Space on terms acceptable to Landlord in its sole and absolute discretion (the "**Third Party Proposal**"), Landlord shall notify Tenant of the basic economic terms of such Third Party Proposal and Tenant shall have five (5) business days after receipt of the Third Party Proposal to provide written notice to Landlord that Tenant accepts the terms of the Third Party Proposal for lease of the proposed First Refusal Space. The failure of Tenant to provide written notice of acceptance within said time period shall be deemed an election by Tenant not to accept the Third Party Proposal.

(b) Effect of Non-Acceptance. If Tenant does not accept the Third Party Proposal, Tenant's First Refusal Right shall terminate with respect to the First Refusal Space covered in the Third Party Proposal, and Landlord shall be free to lease all or any portion of such First Refusal Space to the party (or any of its affiliates) making the proposal or to any other party on such terms proposed in the Third Party Proposal, or on any other terms. The First Refusal Right shall continue with respect to the remainder of the First Refusal Space not covered in a Third Party Proposal during the First Refusal Period unless and until Tenant does not accept a Third Party Proposal for such space or any portion thereof.

(c) Election to Expand. If Tenant elects to lease the First Refusal Right Space as provided above, then such space shall be included in the Lease, except that the rental payments and other terms shall be modified as to the such space to reflect the terms agreed to in the offer. The parties shall promptly execute an amendment to the Lease, stating the addition of such space to the Leased Premises and such other modifications to the terms and conditions of the Lease as is necessary or appropriate to incorporate the terms and conditions of the lease of such space.

(d) Personal. The First Refusal Right is personal to the original party signing the Lease as Tenant (including any Affiliates and Permitted Transferees) but may not be transferred or assigned to or exercised by any other party.

F – INITIAL FORM OF LETTER OF CREDIT FROM SILICON VALLEY BANK

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER _____

ISSUE DATE: _____

ISSUING BANK:
SILICON VALLEY BANK
3003 TASMAN DRIVE
2ND FLOOR, MAIL SORT HF210
SANTA CLARA, CALIFORNIA 95054

BENEFICIARY:
DWFIV CENTURY PLAZA, LLC,
C/O DIVCO WEST REAL ESTATE SERVICES, INC.
575 MARKET STREET, 35TH FLOOR
SAN FRANCISCO, CA 94105

APPLICANT:
TERNS, INC
1810 GATEWAY DRIVE, SUITE 320
SAN MATEO, CA 94404

AMOUNT:	US$292,530.00 (TWO HUNDRED NINETY TWO THOUSAND FIVE HUNDRED THIRTY AND XX/100 U.S. DOLLARS)
EXPIRATION DATE:	SVB WILL PUT A SPECIFIC DATE HERE THAT'S 1 YEAR ISSUANCE HERE
PLACE OF EXPIRATION:	ISSUING BANK'S COUNTERS AT ITS ABOVE ADDRESS

DEAR SIR/MADAM:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVBSF ____ IN YOUR FAVOR AVAILABLE BY PAYMENT AGAINST YOUR PRESENTATION TO US OF THE FOLLOWING DOCUMENT:

1.BENEFICIARY'S SIGNED AND DATED STATEMENT STATING AS FOLLOWS:

"THIS DRAW UNDER YOUR IRREVOCABLE STANDARY LETTER OF CREDIT No. SVBSF ____ REPRESENTS FUNDS DUE AND OWNING TO US PURSUANT TO THE TERMS OF THAT CERTAIN LEASE, AS AMENDED, SUPPLEMENTED OR OTHERWISE MODIFIED TO DATE, BY AND BETWEEN _____, AS LANDLORD, AND TERNS, INC., AS TENANT.". THE UNDERSIGNED HEREBY CERTIFIES THAT: (I) THE UNDERSIGNED IS AN AUTHORIZED REPRESENTATIVE OF LANDLORD; AND (II) LANDLORD IS THE BENEFICIARY OF LETTER OF CREDIT NO. SVBSF ____ ISSUED BY SILICON VALLEY BANK THE AMOUNT HEREBY DRAWN UNDER THE LETTER OF CREDIT IS USS_____, WITH PAYMENT TO BE MADE TO THE FOLLOWING ACCOUNT: [INSERT WIRE INSTRUCTIONS (TO INCLUDE NAME AND ACCOUNT NUMBER OF THE BENEFICIARY)"

WE AGREE THAT WE SHALL HAVE NO DUTY OR RIGHT TO INQUIRE AS TO THE BASIS UPON WHICH BENEFICIARY HAS DETERMINED THAT THE AMOUNT IS DUE AND OWNING OR HAS DETERMINED TO PRESENT TO US ANY DRAFT UNDER THIS LETTER OF CREDIT, AND THE PRESENTATION OF SUCH DRAFT IS IN STRICT COMPLIANCE WITH THE TERMS AND CONDITONS OF THIS LETTER OF CREDIT, SHALL AUTOMATICLALY RESULT IN PAYMENT TO THE BENEFICIARY.

PARTIAL DRAWS AND MULTIPLE PRESENTATIONS ARE ALLOWED.

THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL PERIOD OF ONE YEAR, WITHOUT AMENDMENT, FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE UNLESS AT LEAST 60 DAYS PRIOR TO THE THEN CURRENT EXPIRATION DATE WE SEND TO YOU A NOTICE BY

REGISTERED OR CERTIFIED MAIL OR OVERNIGHT COURIER SERVICE AT THE ABOVE ADDRESS THAT THIS LETTER OF CREDIT WILL NOT BE EXTENDED BEYOND THE THEN CURRENT EXPIRATION DATE. IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND December 31, 2024. IN THE EVENT WE SEND SUCH NOTICE OF NON-EXTENSION, YOU MAY DRAW HEREUNDER BY YOUR PRESENTATION TO US OF YOUR SIGNED AND DATED STATEMENT STATING THAT YOU HAVE RECEIVED A NON-EXTENSION NOTICE FROM SILICON VALLEY BANK IN RESPECT OF LETTER OF CREDIT NO. SVBSF_____, YOU ARE DRAWING ON SUCH LETTER OF CREDIT FOR US$_____, AND YOU HAVE NOT RECEIVED A REPLACEMENT LETTER OF CREDIT ACCEPTABLE TO YOU.

ALL DEMANDS FOR PAYMENT SHALL BE MADE BY PRESENTATION OF THE REQUIRED DOCUMENTS ON A BUSINESS DAY AT OUR OFFICE (THE "BANK'S OFFICE") AT: SILICON VALLEY BANK, 3003 TASMAN DRIVE, MAIL SORT HF 210, SANTA CLARA, CA 95054, ATTENTION: GLOBAL TRADE FINANCE.

FACSIMILE PRESENTATIONS ARE ALSO PERMITTED. SHOULD BENEFICIARY WISH TO MAKE A PRESENTATION UNDER THIS LETTER OF CREDIT ENTIRELY BY FACSIMILE TRANSMISSION IT NEED NOT TRANSMIT THE ORIGINAL OF THIS LETTER OF CREDIT AND AMENDMENTS, IF ANY. EACH FACSIMILE TRANSMISSION SHALL BE MADE AT: (408) 496-2418 OR (408) 969-6510; AND UNDER CONTEMPORANEOUS TELEPHONE ADVICE TO: (408) 654-6274 OR (408) 654-7716, ATTENTION: GLOBAL TRADE FINANCE. ABSENCE OF THE AFORESAID TELEPHONE ADVICE SHALL NOT AFFECT OUR OBLIGATION TO HONOR ANY DRAW REQUEST.

THIS LETTER OF CREDIT IS TRANSFERABLE IN WHOLE BUT NOT IN PART ONE OR MORE TIMES, BUT IN EACH INSTANCE ONLY TO A SINGLE BENEFICIARY AS TRANSFEREE AND FOR THE THEN AVAILABLE AMOUNT, ASSUMING SUCH TRANSFER TO SUCH TRANSFEREE WOULD BE IN COMPLIANCE WITH THEN APPLICABLE LAW AND REGULATION, INCLUDING BUT NOT LIMITED TO THE REGULATIONS OF THE U.S. DEPARTMENT OF TREASURY AND U.S. DEPARTMENT OF COMMERCE. AT THE TIME OF TRANSFER, THE ORIGINAL LETTER OF CREDIT AND ORIGINALS OR COPIES OF ALL AMENDMENTS, IF ANY, TO THIS LETTER OF CREDIT MUST BE SURRENDERED TO US AT OUR ADDRESS INDICATED IN THIS LETTER OF CREDIT TOGETHER WITH OUR TRANSFER FORM ATTACHED HERETO AS EXHIBIT A DULY EXECUTED. THE CORRECTNESS OF THE SIGNATURE AND TITLE OF THE PERSON SIGNING THE TRANSFER FORM MUST BE VERIFIED BY BENEFICIARY'S BANK. APPLICANT SHALL PAY OUR TRANSFER FEE OF % OF 1% OF THE TRANSFER AMOUNT (MINIMUM US$250.00) UNDER THIS LETTER OF CREDIT. EACH TRANSFER SHALL BE EVIDENCED BY EITHER (1) OUR ENDORSEMENT ON THE REVERSE OF THE LETTER OF CREDIT AND WE SHALL FORWARD THE ORIGINAL OF THE LETTER OF CREDIT SO ENDORSED TO THE TRANSFEREE OR (2) OUR ISSUING A REPLACEMENT LETTER OF CREDIT TO THE TRANSFEREE ON SUBSTANTIALLY THE SAME TERMS AND CONDITIONS AS THE TRANSFERRED LETTER OF CREDIT (IN WHICH EVENT THE TRANSFERRED LETTER OF CREDIT SHALL HAVE NO FURTHER EFFECT).

IF ANY INSTRUCTIONS ACCOMPANYING A DRAWING UNDER THIS LETTER OF CREDIT REQUEST THAT PAYMENT IS TO BE MADE BY TRANSFER TO YOUR ACCOUNT WITH ANOTHER BANK, WE WILL ONLY EFFECT SUCH PAYMENT BY FED WIRE TO A U.S. REGULATED BANK, AND WE AND/OR SUCH OTHER BANK MAY RELY ON AN ACCOUNT NUMBER SPECIFIED IN SUCH INSTRUCTIONS EVEN IF THE NUMBER IDENTIFIES A PERSON OR ENTITY DIFFERENT FROM THE INTENDED PAYEE.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (ISP98), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 590.

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER_____

EXHIBIT A

TRANSFER FORM

DATE: _____

TO: SILICON VALLEY BANK
3003 TASMAN DRIVE
SANTA CLARA, CA 95054
ATTN: GLOBAL TRADE FINANCE
STANDBY LETTERS OF CREDIT

RE: IRREVOCABLE STANDBY LETTER OF CREDIT
NO. _____ ISSUED BY
SILICON VALLEY BANK, SANTA CLARA
L/C AMOUNT:

LADIES AND GENTLEMEN:

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY TRANSFERS TO:

_____

(NAME OF TRANSFEREE)

_____

(ADDRESS)

ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY TO DRAW UNDER THE ABOVE LETTER OF CREDIT UP TO ITS AVAILABLE AMOUNT AS SHOWN ABOVE AS OF THE DATE OF THIS TRANSFER.

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN SUCH LETTER OF CREDIT ARE TRANSFERRED TO THE TRANSFEREE. TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER INCREASES OR EXTENSIONS OR OTHER AMENDMENTS, AND WHETHER NOW EXISTING OR HEREAFTER MADE. ALL AMENDMENTS ARE TO BE ADVISED DIRECTLY TO THE TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED BENEFICIARY.

THE ORIGINAL OF SUCH LETTER OF CREDIT IS RETURNED HEREWITH, AND WE ASK YOU TO EITHER (1) ENDORSE THE TRANSFER ON THE REVERSE THEREOF, AND FORWARD IT DIRECTLY TO THE TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER, OR (2) ISSUE A REPLACEMENT LETTER OF CREDIT TO THE TRANSFEREE ON SUBSTANTIALLY THE SAME TERMS AND CONDITIONS AS THE TRANSFERRED LETTER OF CREDIT (IN WHICH EVENT THE TRANSFERRED LETTER OF CREDIT SHALL HAVE NO FURTHER EFFECT).

SINCERELY,

SIGNATURE AUTHENTICATED

The name(s), title(s), and signature(s) conform to that/those on file with us for the company and the signature(s) is/are authorized to execute this instrument.

_____
(Name of Bank)

_____
(Address of Bank)

_____
(City, State, ZIP Code)

_____
(Authorized Name and Title)

_____
(Authorized Signature)

_____
(Telephone number)

Exhibit 10.3

Execution Version

Premises Lease Contract

between

Shanghai Orient Overseas Kaixuan Real Estate Co., Ltd.

(Landlord/Party A)

and

Shanghai Dina Biological Technology Co., Ltd.

(Tenant/Party B)

_____, 2018

Shanghai, China

Content

Part I Standard Terms

This Contract is hereby made and entered into by and between Party A and Party B (each a "**Party**", and collectively the "**Parties**") with respect to Party B leasing certain premises from Party A upon consensus through negotiations based on the principles of equality, free will, fairness and good faith and pursuant to the provisions of this Contract *Law of the People's Republic of China* and other applicable laws and regulations.

Clause 1 Definitions

For the purposes of this Contract, unless the context otherwise requires, the following terms shall be defined as below:

1-1 "**Contract**" is a legal document setting forth the rights and obligations of Party A and Party B during this Contract Period, which consists of Part I "Standard Terms", Part II "Commercial Terms", Part III "Additional Terms" and Part IV "Appendices".

1-2 "**Standard Terms**" means this Contractual terms and content to be complied with by the Parties under the landlord-tenant relationship during this Contract Period as specified in Part I hereof.

1-3 "**Commercial Terms**" means the terms jointly prepared by the Parties with respect to the condition of the Premises to be tenanted by Party B (including dates, amounts and other details) as specified in Part II hereof.

1-4 "**Additional Terms**" means the amendments and supplements (if any) made by the Parties to the Standard Terms hereof as specified in Part III hereof.

1-5 "**Appendices**" means the content incorporated by reference in the Standard Terms and the Additional Terms hereof as specified in Part IV hereof.

1-6 "**Raffles City Changning**" means a complex of buildings named as "Raffles City Changning" or otherwise in Party A's sole discretion as situated at No. 1123, 1133, 1181, 1183, 1185, 1189, 1191, 1193, 1195, 1197, 1199 and 1201, Changning Road, Changning District, Shanghai. "**Raffles City Changning**" is composed of an Office Building, a shopping mall and other properties.

1-7 "**Office Building**" means T1, T2 and T3 buildings for office purposes in "Raffles City Changning". All parking spaces of the Office Building are available to the shopping mall, the Office Building and other properties.

1-8 "**Premises**" means the premises that Party A lets to Party B and Party B leases from Party A, whose location is described in Clause 2-1 and the Commercial Terms hereof.

1-9 "**Gross Floor Area**" means the gross floor area of the Premises as set forth in Clause 3-1 hereof, with details indicated in the Commercial Terms hereof.

1-10 "**Purpose of Lease**" means the purpose of the Premises rented by Party B as indicated in Clause 4-1 hereof.

1-11 "**Delivery Date**" means the date on which Party A shall deliver possession of the Premises to Party B in accordance with the terms and conditions contained herein, which date is indicated in the Commercial Terms hereof.

1-12 "**Fit-out Period**" means the length of time during which Party B carries out fit-out works on the Premises and prepares the Premises for office use, which period is indicated in the Commercial Terms hereof.

1-13 "**Lease Term**" means the length of time during which Party B leases the Premises from Party A, which period is indicated in the Commercial Terms hereof.

1-14 "**Lease Commencement Date**" means the first day following the expiration of the Fit-out Period as indicated in the Commercial Terms hereof.

1-15 "**Contract Period**" means the length of time from the effective date of this Contract to the date of termination or early termination of this Contract.

1-16 "**Tax-Inclusive Rent**" means the rent payable by Party B to Party A for lease of the Premises plus VAT thereon as indicated in Commercial Terms hereof.

1-17 "**Tax-Inclusive Property Management Fees**" means the fees payable by Party B to Party A for property management services of the Office Building plus VAT thereon as indicated in Commercial Terms hereof.

1-18 "**Utilities Expenses**" means any and all expenses incurred by Party B in connection with the use of utilities (e.g. water, electricity, communication, equipment, cable TV and broadband network) in the Office Building, which are detailed in Clause 10-1 hereof.

1-19 "**Utility Bond**" means Utility Bond specified in Clause 10-2 hereof, the amount of which is indicated in Commercial Terms hereof.

1-20 "**Other Expenses**" means any expenses payable by Party B to Party A in connection with the use of the Premises and other parts of the Office Building (other than Tax-Inclusive Rent and Tax-Inclusive Property Management Fees) as specified in Clause 10 hereof, including Utilities Expenses, fees incurred outside normal working hours, rent for advertising spaces, site use fee and other payables.

1-21 "**Performance Bond**" means the bond payable by Party B to Party A to guarantee Party B's full performance of this Contract, the amount of which is indicated in Commercial Terms hereof.

1-22 "**Property Management Company**" means the company designated by Party A to offer property management services to Raffles City Changning, which company may be replaced by Party A in its sole discretion.

1-23 "**LOI**" means the Letter of Intent on Lease of the Office Building (if any) entered into by and between the Parties with respect to the lease of the Premises before signing this Contract.

1-24 "**Tenant Manual/Fit-out Manual**" means all management rules as may be formulated and modified by Party A and/or the Property Management Company for the purposes of directing and regulating tenants' normal use of the Office Building and the Premises, including tenants' manual and/or fit-out manual and/or rules and regulations.

Clause 2 Lease of the Premises

2-1 The Premises that Party A lets to Party B is located at Room see Commercial Terms for details, see Commercial Terms for details/F, No. see Commercial Terms for details Office Building, Raffles City Changning, No. see Commercial Terms for details Changning Road, Changning District, Shanghai (the "**Premises**"). The floor plan of the Premises marked in Appendix 1 is for identification purposes only, and shall not affect the interpretation of contractual terms.

2-2 Party B acknowledges that the floor described in Clause 2-1 hereof is the nominal floor of the Premises, i.e. the nominal floor of the Premises is the 28th floor, which is subject to Party A's arrangement and shown on the elevator display board of the building in which the Premises is located; the nominal floor indicated in the forecast report of the Premises is the 30th floor, which floor is marked by proper government authority on surveying and mapping in the surveying and mapping report of the Premises; the floor on which the Premises is actually located is the 26th floor, i.e. the floor above ground level of the building in which the Premises is located. In case of any deviation between the nominal floor arranged in Clause 2-1 hereof and/or room number and the nominal floor/actual floor and/or room number indicated in the forecast report, Party B undertakes not to make any claim or assertion of rights in any other form against Party A. It is agreed that each Party's use of the floor number and/or room number of the Premises during the performance of this Contract shall be subject to Party A's arrangement as mentioned in Clause 2-1, unless such use is subject to special requirements of competent government authority (e.g. contract filing).

The room number of the Premises in the Office Building described in Clause 2-1 hereof is solely for the execution of this Contract. During the performance of this Contract, Party A shall have the right to change such room number or add any other room number subject to the approval of competent government authority.

2-3 Before conclusion of this Contract, Party A shall have notified Party B of the fact that the Premises has been mortgaged.

Clause 3 Gross Floor Area

3-1 The Gross Floor Area of the Premises shall be see Commercial Terms for details square meters.

3-2 Party B hereby represents that it will no longer object to the Gross Floor Area of the Premises as agreed in Clause 3-1 hereof. It is hereby agreed and acknowledged that, in case of any deviation between the Gross Floor Area of the Premises agreed in Clause 3-1 hereof and the gross floor area, leased area or any other area otherwise calculated as measured or registered by any person, organization or authority, neither Party shall adjust Tax-Inclusive Rent of the Premises or any other sum calculated based on the Gross Floor Area of the Premises.

Clause 4 Purpose of Lease

4-1 Party B hereby covenants to Party A that the Premises is for office use and that it will comply with the provisions of national regulations and the regulations of Shanghai Municipality governing the use and property management of the Premises. In the event that Party A suffers from any loss as a result of its violation of applicable laws, rules and/or regulations due to reasons attributable to Party B (including any administrative penalty resulting from its execution of this Contract upon Party B's request), Party B must assume all economic and administrative liabilities for such loss.

4-2 Party B hereby warrants that, during this Contract Period, it will not change the Purpose of Lease of the Premises without Party A's written consent and the approval from competent government authority (which approval is required by applicable regulations).

4-3 Party B shall, at the time of conclusion of this Contract, provide Party A with copies (stamped with Party B's company seal) of all such valid licenses required for legitimate business operations as business license, tax registration certificate, organization code certificate and certificate of identity of legal representative. During this Contract Period, Party B shall maintain in force all the licenses required for its legitimate business operations, and in case of any change to the content of any such license, shall file the change to Party A for future reference within seven (7) business days thereof. For the avoidance of doubt, regardless of whether Party A has reviewed the said licenses submitted by Party B, in no case shall it be understood that Party A has determined whether Party B is qualified to conduct relevant business operations.

4-4 Party B warrants that it will not operate P2P business on the Premises. Where Party B operates P2P business on the Premises, and fails to remedy such breach within seven (7) days from Party A's written notice to remedy, Party A shall have the right to elect to terminate this Contract. If Party A elects to terminate this Contract, Party B shall pay to Party A liquidated damages in accordance with the provisions of Clause 21-5-1 hereof. If Party A elects not to terminate this Contract, Party B shall pay to Party A liquidated damages in an amount equal to triple the sum of the maximum daily Tax-Inclusive Rent and the maximum daily Tax-Inclusive Property Management Fee during the Lease Term of the Premises on a per day basis as calculated from the day following the expiration of the said seven (7)-day period; if Party B fails to remedy the breach within thirty (30) days, in addition to Party A's rights under this clause, Party A shall also have the right to cease the supply of or prohibit Party B from using relevant utilities, facilities and equipment until Party B ceases to operate P2P business on the Premises. During the said period when Party A ceases to supply or prohibits Party B from using relevant utilities, facilities and equipment, Party B is still required to pay such relevant expenses as Tax-Inclusive Rent and Tax-Inclusive Property Management Fees in accordance with the provisions of this Contract.

Clause 5 Delivery of Possession of the Premises

5-1 It is agreed that Party A shall deliver possession of the Premises to Party B on see Commercial Terms for details (Delivery Date).

5-2 Party B shall go through procedures for the handover of the Premises at the designated place in the Office Building on Delivery Date, before which Party B shall pay in full to Party A the fees and expenses payable at the time of or before the delivery of possession of the Premises in accordance with the provisions of this Contract, including but not limited to Tax-Inclusive Property Management Fees during the Fit-out Period, fit-out bond, Performance Bond, Utility Bond, initial installment of Tax-Inclusive Rent (see Clause 8-2 below) and initial installment of Tax-Inclusive Property Management Fees (see Clause 9-2 below).

5-3 Party A shall go through specific procedures for inspection, acceptance and delivery of possession of the Premises together with Party B on the Delivery Date, provided that Party B shall have paid off all payables before and at the time of delivery of possession of the Premises. Otherwise, Party A shall have the right to withhold the delivery of possession of the Premises to Party B without assuming any liability to Party B.

5-4 The fit-outs of and facilities and equipment ancillary to the Premises shall be in such condition (i.e. delivery standards of the Premises) as specified in Appendix 2 at the time of delivery of possession of the Premises; provided, however, that if there is any inconsistency between the actual delivery standards specified in the premises delivery note as signed and confirmed by the Parties and the delivery standards of the Premises as specified in Appendix 2 hereto, then it is agreed that the former shall apply. Unless otherwise provided herein, at the time of termination or early termination of this Contract, the delivery standards of the Premises as agreed in this clause shall be serve as the restoration standards when Party B surrenders the Premises to Party A.

5-5 In the event that Party B fails to go through procedures for inspection, acceptance and handover of the Premises at Party A's designated place before the Delivery Date or to complete such procedures with Party A on the Delivery Date, in each case due to reasons attributable to Party B, Party A shall have the right, but not the obligation, to determine that the possession of the Premises has been successfully delivered by Party A to Party B on the Delivery Date in accordance with the conditions contained herein. If the Delivery Date is before the start of the Fit-out Period, then the Fit-out Period shall be deemed to commence from the Delivery Date, and Party B shall pay to Party A all payables within the timeframe as agreed herein.

5-6 If due to reasons attributable to Party B, Party B still fails to go through procedures for inspection, acceptance and handover at Party A's designated place or remains unable to complete such procedures with Party A on the thirtieth (30th) day following the Delivery Date, or Party B expresses its intention not to rent the Premises before the delivery of possession of the Premises, then in addition to the rights under Clause 5-5 hereof, Party A shall have the right to terminate this Contract before it expires by sending written notice to Party B, in which case Party B shall, within three (3) business days after receipt of Party A's notice, pay to Party A liquidated damages in an amount equal to the sum of six (6) months of Tax-Inclusive Rent of the Premises (the amount of monthly Tax-Inclusive Rent of the Premises is indicated in Clause 8-1 below, and the maximum monthly Tax-Inclusive Rent during the Lease Term shall be taken as the basis for calculation) and six(6) months of Tax-Inclusive Property Management Fees (the amount of Tax-Inclusive Property Management Fees is indicated in Clause 9-1 below, and the maximum monthly Tax-Inclusive Property Management Fees during the Lease Term shall be taken as the basis for calculation). Performance Bond, Utility Bond, initial installment of Tax-Inclusive Rent (see Clause 8-2 below), initial installment of Tax-Inclusive Property Management Fees (see Clause 9-2 below) already paid by Party B shall be offset against the amount equal to the liquidated damages provided in this clause.

5-7 Except where Party B commits a breach hereof or Party A's failure of delivery is due to force majeure or any reason beyond Party A's control, if Party A fails to deliver possession of the

Premises to Party B on the Delivery Date, Party B agrees to grant a grace period of ninety (90) days to Party A, during which period Party A's delivery of possession of the Premises to Party B shall not constitute a breach of contract. In such case, the Fit-out Period (if any) and relevant dates thereafter shall be extended accordingly.

Should Party A remain unable to deliver possession of the Premises to Party B upon expiration of the said ninety (90)-day grace period, then Party B shall have the right to forthwith terminate this Contract by written notice to Party A or to reschedule the Delivery Date through negotiations of the Parties. If Party B elects early termination of this Contract, Party A is required to, within thirty (30) days from the early termination date, refund to Party B such payments already made by Party B as Performance Bond (exclusive of tax) and initial installment of Tax-Inclusive Rent in accordance with the provisions of this clause, without any other liability to Party B.

5-8 Unless otherwise agreed herein, execution of the premises delivery note by the Parties shall be deemed that Party A has fulfilled its obligation to successfully deliver possession of the Premises to Party B.

5-9 Party B shall not refuse to take possession of the Premises for any no reason other than non-conforming primary structure of the Premises. Even though at the time of handover of the Premises between Party A and Party B, there is any inconsistency between the actual delivery standards specified in the premises delivery note and the delivery standards of the Premises agreed in Appendix 2 hereto, the Parties shall complete the handover of the Premises and execute the premises delivery note, provided that Party A shall promptly carry out alterations to the Premises. If Party B refuses to complete or is delinquent in completing the handover of the Premises, then the possession of the Premises shall be deemed to have been successfully delivered to Party B on the Delivery Date.

Clause 6 Fit-out Period and Lease Term

6-1 The Fit-out Period of the Premises shall be see Commercial Terms for details days commencing from the Delivery Date, i.e. from see Commercial Terms for details through see Commercial Terms for details.

6-2 The first day following the expiration of the Fit-out Period shall be the Lease Commencement Date. The Lease Term shall be see Commercial Terms for details year(s) commencing from the Lease Commencement Date, i.e. from see Commercial Terms for details through see Commercial Terms for details.

6-3 Unless otherwise provided herein, during the Fit-out Period, Party B is required to bear, among other things, Tax-Inclusive Property Management Fees, Utilities Expenses and Other Expenses in connection with the Premises. If subject to the regulations of national tax authority, VAT is required to be levied on any rent concession and other concessions (if any) granted by Party A to Party B or enjoyed by Party B under this clause, then such VAT shall be paid by Party B in the amount payable as specified in Party A's written notice.

Clause 7 Right to Renewal

7-1 To the extent that Party B has paid Tax-Inclusive Rent, Tax-Inclusive Property Management Fees and Other Expenses, and has fulfilled and complied with its obligations before the expiration of this Contract (except for the obligation to restore the Premises to its original condition and surrender the Premises so restored to Party A) without breaching any clauses hereof, if Party A receives Party B's written notice requesting renewal of the Premises for three (3) years (the "**Renewal Notice**") six (6) months prior to the expiration of the Lease Term, then the Parties shall determine through negotiations the terms and conditions of renewal, provided that Party A reserves the right to take the Gross Floor Area in the actual measurement report as the lettable area under lease renewal, and that the tax-exclusive rent of the Premises in the renewal term shall be the then current open market price.

7-2 Party B is required to complete the execution of a lease renewal with respect to the Premises (the "**Lease Renewal**") together with Party A within fourteen (14) days after the giving of the Renewal Notice.

7-3 In the event that Party A fails to receive Party B's Renewal Notice six (6) months prior to the expiration of the Lease Term, or that the Renewal Notice requests the lease of only part of the Premises, or that Party B's Renewal Notice requests a renewal term other than three (3) years, or that Party B fails to execute the Lease Renewal with Party A in accordance with the provisions of Clause 7-2 above, or that Party B expresses its intention not to renew the lease at any time six (6) months prior to the expiration of the Lease Term, then Party B's right to renewal under Clause 7-1 above shall lapse, and Party B shall be deemed to have waived its right of first refusal to the Premises under the same terms and conditions as those offered to any third party, in which case the landlord-tenant relationship hereunder shall terminate once the Lease Term provided herein expires.

Clause 8 Rent

8-1 Party B shall pay a Tax-Inclusive Rent on a monthly basis as from the Lease Commencement Date. The monthly Tax-Inclusive Rent of the Premises shall be RMB see Commercial Terms for details, i.e. the monthly tax-exclusive rent of RMB see Commercial Terms for details (as calculated based on Gross Floor Area, i.e. RMB see Commercial Terms for details per square meter per day) plus VAT thereon (RMB see Commercial Terms for details). The VAT rate applicable to the rent at the time of conclusion of this Contract shall be 5%.

8-2 Party B shall advance Party A one (1) month's Tax-Inclusive Rent (i.e. initial installment of Tax-Inclusive Rent) of the Premises on or before the execution date of this Contract. Any installment of Tax-Inclusive Rent payable in every subsequent month shall be paid off by Party A in advance on or before the first (1st) day of the current month. In the event that the period from the first day (inclusive) following the end of the period for which Tax-Inclusive Rent for the first (1st) month is advanced to the last day (inclusive) of the current month (calendar month) is less than one (1) calendar month, or the remainder of the Lease Term in the last month in which the Lease Term expires or this Contract is terminated before such expiration is less than one (1) calendar month, then Tax-Inclusive Rent of the current month shall be calculated by multiplying the daily tax-exclusive rent plus VAT thereon under Clause 8-1 above by the actual number of days of lease in such month.

8-3 Party B shall pay in RMB all sums required to be paid to Party A hereunder (including Tax-Inclusive Rent, Tax-Inclusive Property Management Fees, fit-out bond, Utilities Expenses, Performance Bond, overdue fines and liquidated damages) by such means as specified below, and shall comply with the terms of payment as may be designated by Party A from time to time:

8-3-1 (1) Party B shall pay, among other things, Performance Bond, fit-out bond and Utility Bond to the following account:

Account Name: Shanghai Orient Overseas Kaixuan Real Estate Co., Ltd.

Opening Bank: Changning Dingxi Sub-branch of Agricultural Bank of China

Account Number: 03303400040038464

(2) Party B shall pay attorneys' fees to the following account:

Account Name: King & Wood Mallesons Shanghai Office

Opening Bank: Huaihai Sub-branch of Shanghai Branch of China Merchants Bank

Account Number: 121902214910502

(3) Party B shall make any payment other than Performance Bond, fit-out bond, Utility Bond and attorneys' fees (including but not limited to Tax-Inclusive Rent, Tax-Inclusive Property Management Fees and water and electricity fees) to the following account:

Account Name: Shanghai Orient Overseas Kaixuan Real Estate Co., Ltd.

Opening Bank: Changning Dingxi Sub-branch, Agricultural Bank of China

Account Number: 03303400040040791

(4) Party A who intends to change its bank account information shall send prior written notice to Party B.

8-3-2 Each payment shall be deemed to be made on such date and in such amount that the payment actually arrives at Party A's designated account or Party A actually receives the cheque issued by Party B. Any expenses incurred in connection with any payment made by Party B hereunder (including but not limited to services charges incurred by Party A due to Party B's TT payment) shall be for the account of Party B.

8-4 Party A's invoicing information is provided below:

Invoice Type: Special VAT Invoice

Company Name: Shanghai Orient Overseas Kaixuan Real Estate Co., Ltd.

Taxpayer Identification Number: 91310000785167053W

Address & Tel: 19/F, No.268 Tibet Middle Road, Shanghai; 021-33114633

Postcode: 200001

Opening Bank and Account Number: Dingxi Road Sub-branch of Agricultural Bank of China; 03-303400040038464

Clause 9 Property Management Fees

9-1 As of the Delivery Date, Party B shall deliver to Party A Tax-Inclusive Property Management Fees of the Premises on a monthly basis, and agrees that the Property Management Company designated by Party A provides the property management services for the Office Building. The monthly Tax-Inclusive Property Management Fees of the Premises shall be RMB see Commercial Terms for details, i.e. the monthly tax-exclusive property management fee of RMB see Commercial Terms for details plus VAT thereon of RMB see Commercial Terms for details. The VAT rate applicable to property management fees at the time of conclusion of this Contract shall be 6%.

9-2 Party B shall pay to Party A or the Property Management Company one (1) month of Tax-Inclusive Property Management Fees (i.e. initial installment of Tax-Inclusive Property Management Fees) on or before the execution date of this Contract. Any installment of Tax-Inclusive Property Management Fees payable in every subsequent month shall be fully advanced by Party B to Party A or the Property Management Company on or before the first (1st) day of the current month. In the event that the period from the first day (inclusive) following the end of the period for which Tax-Inclusive Property Management Fees for the first (1st) month are advanced to the last day (inclusive) of the current month (calendar month) is less than one (1) calendar month, or the remainder of the Lease Term in the last month in which the Lease Term expires or this Contract is terminated before such expiration is less than one (1) calendar month, then Tax-Inclusive Property Management Fees of the current month shall be calculated by multiplying the daily tax-exclusive property management fees plus VAT thereon under Clause 9-1 above by the actual number of days of lease in such month.

9-3 During this Contract Period, Party B agrees that Party A and/or the Property Management Company shall have the right to adjust the amount of tax-exclusive property management fees of the Office Building or of the use fee of relevant facilities and equipment, provided that Party A and/or the Property Management Company shall send a written notice to Party B one month in prior. Party B shall implement the said adjustment upon expiration of one (1) month of receipt of the notice.

Clause 10 Other Expenses

10-1 Utilities Expenses

10-1-1 Party B shall go through procedures for account application and opening (if necessary)

with respect to utilities of the Premises (e.g. water, electricity, communication, equipment and broadband network), and shall bear relevant application and opening costs and the costs of separate metering devices.

10-1-2 Party B shall bear all expenses incurred in connection with the usage of utilities (i.e. Utilities Expenses) as of the Delivery Date. The amount of Utilities Expenses shall be calculated according to the amount of utilities consumed as recorded by Party B's separate metering devices.

10-1-3 Party B hereby acknowledges that Party A will be entrusted to collect electricity fees from Party B on behalf of competent utilities authority. The terms of payment and payment date of any electricity fees payable by Party B shall be subject to written notice of Party A and/or the Property Management Company. Party A shall have the right to adjust the standards for collection of electricity fee payments in accordance with the requirements of competent utilities authority.

10-2 Utility Bond

Party B shall pay to Party A Utility Bond of the Premises on the execution date of this Contract. Utility Bond of the Premises shall be RMB see Commercial Terms for details in total, to be calculated at the rate of RMB see Commercial Terms for details per square meter of the Gross Floor Area.

If Party B defaults on the payment of any electricity fee of the Premises, then Party A shall have the right, but not the obligation, to offset Utility Bond against such payable and/or apply Utility Bond as an indemnity for any losses thus sustained by Party A. If the remainder of Utility Bond held by Party A after such offset and/or indemnity is less than the amount specified in this clause, Party B shall forthwith pay the shortfall to Party A upon Party A's notice; provided, however, that Party B shall have no right to offset Utility Bond against any payable by it hereunder. Where this Contract terminates, Party A shall refund Utility Bond (upon deductions (if any) under this clause) in one lump sum to Party B on an interest free basis within thirty (30) days after Party B surrenders the Premises and submits the original receipt of Utility Bond and a copy of Party B's account information for receipt of the refunded Utility Bond (stamped with Party B's company seal).

10-3 HVAC Services During Unusual Working Hours

10-3-1 The HVAC system shall remain operational during the following time intervals (usual working hours):

From Monday to Friday: 8:00-18:30

Saturday: 9:00-13:00

Party B, if requires HVAC services during unusual working hours, shall submit a written request to Party A one (1) business day in advance (except for holidays or weekends), and shall pay the overtime HVAC charge thus generated at the rate as notified by Party A in writing.

10-3-2 Overtime HVAC charge of T2 Office Building

The VRV HVAC charge during unusual working hour of HVAC services shall be RMB 52/hour/room.

10-4 Use of Other Parts of the Office Building

If Party B desires to use any such location outside the Premises as advertising space, warehouse, exterior wall or parking lot (space) of the Office Building, Party B shall obtain Party A's prior consent, enter into a separate lease contract or use agreement with Party A, and make payments to Party A for such use.

Clause 11 Performance Bond

11-1 At the time of execution of this Contract, Party B is required to pay to Party A the sum of

three (3) months of Tax-Inclusive Rent and three (3) months of Tax-Inclusive Property Management Fees as Performance Bond for the Premises, i.e. RMB see Commercial Terms for details in total. The security deposit (if any) already paid by Party B to Party A in accordance with the LOI may be offset against Performance Bond on an equal basis. Party B is only required to pay the remainder of Performance Bond (i.e. RMB see Commercial Terms for details) at the time of execution of this Contract.

During the Lease Term, in case of any increase in Tax-Inclusive Rent and/or Tax-Inclusive Property Management Fees, Performance Bond shall be increased accordingly. Party B shall pay to Party A such increase prior to the date indicated in Party A's written notice, otherwise it shall be deemed that Party B has defaulted on the payment of Performance Bond.

11-2 In the event that Party B is in breach of this Contract, Party A shall have the right, but not the obligation, to offset Performance Bond against the amount payable by Party B (including attorneys' fees payable by Party B), and/or to apply Performance Bond as indemnity for any losses thus sustained by Party A, and/or to withhold the entire Performance Bond under this Contract with no refund to Party B, whether with or without prior notice to Party B. In case the remainder of Performance Bond held by Party A after such offset and/or indemnity and/or withholding is less than the amount provided in Clause 11-1, Party B shall, immediately after receipt of Party A's notice, pay to Party A the shortfall within the period specified in the notice, otherwise Party A shall have the right to exercise all rights to remedies available to it, including but not limited to the right to terminate this Contract. Party B shall have no right to offset Performance Bond against any of its payables hereunder.

11-3 During this Contract Period, without Party A's prior written consent, Party B shall have no right to offset Performance Bond against any of its payables hereunder.

11-4 Unless otherwise agreed herein, at the time of expiration of the Lease Term or early termination of this Contract, Party A shall, within forty five (45) days after all of the following conditions are satisfied, refund Performance Bond to Party B in one lump sum on an interest free basis:

(1) Party B has settled Tax-Inclusive Rent, Tax-Inclusive Property Management Fees, water and electricity fees, communication expenses, equipment costs, cable TV fees, broadband network fees, attorneys' fees, liquidated damages and all types of taxes and fees in connection with the Premises;

(2) Party B has canceled the lease registration and filing (if any) of the Premises;

(3) Party B has fulfilled its obligation to cancel or change the industrial and commercial registration procedures in connection with the Premises as provided in Clause 17-2;

(4) Party B has restored the Premises and its fit-outs, and facilities and equipment ancillary thereto to the original condition and surrendered the same to Party A in accordance with the provisions of this Contract;

(5) Party B has furnished Party A with the original receipt of Performance Bond and a copy of Party B's account information for receipt of the refunded Performance Bond (stamped with Party B's company seal).

11-5 If Party A intends to assign the Premises to any third party, Party A shall have the right, but not the obligation, to exercise its rights under Clause 11-2 hereof before such assignment. Party A shall deliver the remainder of Performance Bond after deductions (if any) made hereunder to such third party, in order for the third party to continue to perform this Contract with Party B and to re-issue a receipt of Performance Bond to Party B. Upon the said delivery, Party A shall no longer assume any liability to Party B with respect to Performance Bond, or assume any other obligation hereunder.

Clause 12 Fit-out Bond

12-1 Party B shall pay to Party A a fit-out bond and Other Expenses incurred in the Fit-out Period (see Appendix 3 for details) before Party A delivers possession of the Premises to Party B (or if Party B carries out fit-out works again during this Contract Period, before the commencement of the fit-out works).

12-2 In case of any damage to the Premises due to Party B's fit-out works, Party A shall have the right to deduct a certain amount from the fit-out bond to indemnify Party A for any losses thus sustained thereby. If the remainder of the fit-out bond held by Party A after such indemnity is less than the amount specified herein, Party B shall pay to Party A the shortfall immediately after receipt of Party A's written payment notice, otherwise it shall be deemed that Party B has defaulted on the payment of the fit-out bond.

12-3 Party B shall notify Party A upon completion of any fit-out works, and Party A shall, upon its acceptance of and the acceptance by competent government authority of such fit-out works, refund in one lump sum the remainder of the fit-out bond after deduction of the losses caused to Party A in connection with the fit-out works (if any) on an interest free basis within thirty (30) days after receiving the original receipt of the fit-out bond and a letter of Party B's account information for receipt of the refunded fit-out bond (stamped with Party B's company seal) furnished by Party B.

12-4 If Party B needs to carry out fit-out works again with respect to the Premises after the end of the Fit-out Period, the foregoing provision shall apply.

Clause 13 Fit-out Works

13-1 If Party B intends to carry out any fit-out works (including but not limited to interior fit-outs, partitions, repairs or alterations of the Premises or installation or replacement of equipment and devices thereon) with respect to the Premises and any facilities and equipment ancillary thereto (including but not limited to circuits, water drainage systems, fire-fighting facilities, interior and exterior appearance and existing ornaments), Party B shall obtain the prior written consent of Party A and/or the Property Management Company and the approval of competent government authority. All expenses generated from reporting the fit-out works to competent government authority for approval and all expenses incurred by Party B in connection with fit-out works and addition of equipment and facilities shall be for the account of Party B. Party B shall engage a contractor with at least Grade II and above professional contracting qualification on architectural decoration and renovation works to carry out any fit-out works on the Premises. If Party B intends to carry out any fit-out works with respect to the fire-fighting system and communication, broadband network and telephone systems of the Premises, Party B must engage this Contractor or consultant designated by Party A to do so and bear all relevant expenses.

13-2 During the Fit-out Period, Party B and this Contractor engaged by Party B shall comply with the fit-out regulations of the Office Building (including Fit-out Manual as may be amended from time to time), and shall be held fully liable to Party A for any violation of the fit-out regulations (including Fit-out Manual as may be amended from time to time) by Party B or this Contractor engaged by Party B during the fit-out process, including but not limited to indemnifying Party A for losses thus sustained thereby.

13-3 If any competent government authority requires any rectification to the fit-out works of the Premises (including but not limited to fire-fighting facilities) at any time during this Contract Period, Party B shall rectify its fit-outs as so required from time to time. If any other tenant or user of any adjacent room is affected due to the said rectification or by Party B's fit-out or use of the Premises, Party B shall be solely responsible for repairing any damage caused to the adjacent room and bear all expenses thus incurred, including but not limited to reasonable indemnity to the tenant or user, in which case Party A shall bear no liability therefor; if Party A's rights and interests are thus damaged, Party B shall indemnify Party A for such damage.

Clause 14 Repairs of the Premises

14-1 Party A shall be responsible for the repairs of the Premises and such facilities and equipment thereon as delivered by Party A, provided that Party B shall be responsible for the repairs of any damage to the Premises and the said facilities and equipment resulting from Party B's fault or negligence; in the latter case, if Party A carries out repair works on behalf of Party B, relevant repair costs shall be for the account of Party B.

14-2 Party B shall be responsible for the repair and maintenance of the fit-outs, additions, installations or alterations with respect to the Premises and/or its fit-outs and facilities and equipment ancillary thereto.

14-3 Party B shall be responsible for the replacement or addition of all consumables in the Premises (e.g. fluorescent tubes) at its own expense.

14-4 If Party B discovers any damage or default to the Premises and the fit-outs or ancillary facilities or equipment provided by Party A as listed in Appendix 2 hereto, Party B shall seek repairs by sending prompt notice to Party A and shall not arbitrarily deal with such damage or default, unless emergency arises. Party A and/or the Property Management Company shall make repairs within a reasonable period of time after receipt of Party B's notice, failing which Party B may make such repairs on behalf of Party A with reasonable costs being for the account of Party A.

14-5 For the purposes of the repair, maintenance, hygiene, security, fire prevention or personnel rescue with respect to the Premises, Party A or the Property Management Company may, upon prior notice to Party B, enter the Premises to carry out inspection activities or take proper measures, during which Party A and/or the Property Management Company shall make their/its best efforts to avoid any hindrance or disturbance to Party B's use of the Premises. If Party A or the Property Management Company cannot get in touch with Party B in advance in any emergency (including but not limited to fire, flood, robbery or personnel casualty), Party A or the Property Management Company and its employees may also enter the Premises without Party B's permission to take necessary measures, and then get in touch with Party B as soon as practicable. None of Party A, the Property Management Company and their employees shall be held liable for any damage to the Premises or any losses sustained by Party B due to reasons described in this clause.

Clause 15 Use of the Premises

15-1 During this Contract Period, Party B shall make reasonable use of the Premises and public areas.

15-2 In case of any damage, destruction or default of the structure of the Premises or any facility or equipment listed in Appendix 2 or of any bodily injury and/or economic loss of any third party due to reasons attributable to Party B, Party B shall assume all legal and economic liabilities to Party A and/or such third party, including but not limited to indemnity for all losses thus sustained by Party A and/or such third party.

15-3 If any competent government authority requires an overhaul of any premises adjacent to the Premises (including but not limited to fire-fighting facilities) during this Contract Period, Party B must provide all reasonable assistance as required by such competent government authority. In the event that Party B suffers from losses (if any) due to the said overhaul or the fit-out or use of the adjacent premises, then Party B and the tenant of the adjacent premises shall work out a solution through negotiations, in which case Party B shall not refuse to provide or delay in providing the said assistance on the ground that it has suffered any loss, and Party A may provide necessary assistance.

15-4 Without Party A's written permission, Party B shall not change the locks, bolts and fittings of doors and fire exits of the Premises, or install any temporary or permanent additional lock, bolt or fitting, or install any door, metal latch or curtain board in violation of the regulations of competent fire authority or government authority as in effect from time to time.

Clause 16 Sublease, Assignment or Underlease

16-1 To the extent that Party B has performed and fulfilled all of its obligations hereunder and has never defaulted on any payable hereunder, Party B may, after obtaining Party A's prior written consent, sublease all or part of the Premises to any of its affiliates, provided that the part so

subleased shall be determined based on the unit partition design of the Office Building. Any and all expenses resulting from Party B's subleasing shall be for the account of Party B. Notwithstanding the foregoing, Party B may not sublease all or part of the Premises to any third party without Party A's prior written consent. If Party A allows Party B to sublease, one (1) copy of relevant subleasing agreement shall be submitted to Party A for safekeeping.

16-2 Where Party B subleases the Premises to any third party, the sublease contract between Party A and the third party may become effective only upon Party A's written consent. Upon the effectiveness of the sublease contract, relevant registration and filing formalities shall be effected in accordance with applicable regulations, and relevant required expenses shall be for the account of Party B.

16-3 Without Party A's written consent, Party B shall not assign this Contract or sublease or underlease all or any portion of the Premises in any name, form or manner, or grant any other third party any rights and interests in and to the Premises.

16-4 Where Party B subleases or sublets the Premises or assigns this Contract without Party A's written consent, regardless of whether Party A knows or should have known such subleasing, underlease or assignment, Party A shall have the right to, at any time during this Contract Period, exercise its rights with respect to Party B's subleasing, underlease or assignment, including the right to unilaterally terminate this Contract or request determining the relevant subleasing, underlease or assignment contract to be void.

16-5 If Party A gives written consent to Party B's subleasing of the Premises, the sublease contract thus executed shall be subject to the following provisions:

(1) The termination date of the sublease contract shall not be later than the termination date provided herein;

(2) During the subleasing period, in addition to the rights and obligations under the subleasing contract, Party B shall continue to perform its obligations hereunder; and

(3) During the subleasing period, in the event of any modification, rescission or termination of this Contract, the sublease contract shall be modified, rescinded or terminated accordingly.

Clause 17 Surrender of the Premises

17-1 Surrender of Physical Possession of the Premises

17-1-1 Party B shall contact Party A for surrender of the Premises at least thirty (30) days prior to the expiration date of the Lease Term or the early termination date of this Contract.

17-1-2 It is agreed to take the delivery standards of the Premises agreed in Clause 5-4 hereof as the restoration standards under which Party B surrenders physical possession of the Premises to Party A and as the basis for inspection and acceptance between the Parties.

17-1-3 Before surrendering the Premises to Party A, Party B shall, at its own expense, sweep and clean the Premises back to an intact and lettable condition.

17-1-4 Party B shall, before 17:00 on the expiration date of the Lease Term or the early termination date of this Contract, restore the Premises together with all facilities, devices and additions ancillary thereto to such condition as required by the restoration standards of the Premises and surrender the Premises so restored to Party A. Party A shall inspect the condition in which the Premises is surrendered. If the condition meets the restoration standards, then the Parties shall execute a surrender and handover receipt, which execution shall be deemed that Party B officially surrenders its physical possession of the Premises to Party A; if the condition fails to meet the restoration standards, then Party A shall have the right to request Party B to continue to restore the Premises to such condition that meets the restoration standards and then surrender the Premises so restored to Party A; during the restoration period, it shall be deemed that Party B delays in the surrender of the Premises, and Party A shall have the right, but not obligation, to make proper repairs

to the Premises, resulting from which all expenses and costs shall be for the account of Party B. During the period of repair by Party A, it shall be deemed that Party B delays in the surrender of the Premises.

17-1-5 When Party B surrenders the Premises to Party A, if Party A agrees in writing that Party B has no need to restore the Premises to its original condition, then Party B shall not, for any reason, request Party A to purchase any fit-outs or facilities of Party B, and Party A shall have no obligation to compensate and/or indemnify Party A with respect to Party B's addition to or alteration of the Premises and/or its fit-outs, equipment and facilities.

17-1-6 During this Contract Period, where Party B moves out of the Premises without Party A's written consent, resulting in the Premises to be occupied by any third party without Party A's consent, regardless of whether Party B has known or agreed to such occupancy, Party B shall be held liable for any losses and expenses thus suffered by Party A.

17-1-7 When Party B surrenders its physical possession of the Premises, Party B shall enable the places where it installs advertising boards, signboards, signages, directory boards, direction signs and marks (if any) in the Office Building to be restored to the original condition or to meet the condition satisfactory to Party A.

17-2 Cancellation or Change of Industrial and Commercial Registration Regarding the Premises

17-2-1 Party B shall, on the expiration date of the Lease Term or the early termination date of this Contract, cancel or change the industrial and commercial registration, contract registration and other relevant licenses regarding the use of the address of the Premises as its registered address or business address. If Party B is a foreign owned company, Party B shall elect to go through procedures for changing the industrial and commercial registration to facilitate the change or cancellation of the industrial and commercial registration, unless otherwise agreed by the Parties.

17-2-2 If Party B fails to complete the said cancellation or change procedures in a timely manner, Party B shall hold Party A liable for breach of contract as per Clause 21-4 hereof.

Clause 18 Other Rights and Obligations of Party A

18-1 Party B hereby acknowledges that, during this Contract Period, Party A shall have the right to change, in its sole discretion, the name of "Raffles City Changning", the Office Building or any part thereof at any time without any indemnity or compensation therefor to Party B, provided that Party A shall send written notice to Party B after the change of name.

18-2 If Party A transfer the Premises to any prospective third party, Party B agrees that Party A shall have the right to, by sending prior notice to Party B, accompany such prospective third party to visit the Premises at all reasonable times during the Lease Term. In addition, upon prior notice to Party B, Party A shall have the right to accompany any future tenant of the Premises or relevant person to inspect the Premises at all reasonable times within six (6) months before the expiration of the Lease Term or the early termination of this Contract, provided that Party B's normal use of the Premises shall not be affected.

18-3 During this Contract Period, Party A shall keep public places and public facilities of the Office Building (including rooftop, primary structure, walls, main water pipelines, main electric wires, elevators, escalators, firefighting and security equipment and HVAC facilities) in a clean and serviceable condition. If any public facility of the Office Building cannot normally be used within a certain period of time due to any government policies or emergency, Party A shall notify Party B in advance.

18-4 Party A's provision of security personnel, managers or mechanical or electronic anti-theft systems of any nature (if any) for the Office Building or the Premises shall not constitute Party A's obligation or responsibility for securing or safekeeping the Premises or any property thereon. During this Contract Period, Party B shall be responsible for the security and safekeeping of the Premises or any property thereon.

18-5 In the event that Party B fails to promptly go through industrial and commercial registration procedures by virtue of which the address of the Premises is registered as its registered address as a result that the original tenant of the Premises fails to promptly change or cancel the industrial and commercial registration of the Premises when the Premises is surrendered to Party A, Party A shall, upon Party B's request, promptly coordinate with the original tenant to settle Party B's registration issue as soon as practicable, and shall bear no other liability therefor.

18-6 Party A shall have the right to, without giving prior notice to Party B, clean and dispose of any container, paper box, waste or other obstacle of any kind or nature left or not disposed of by Party B outside the Premises in the manner Party A deems appropriate, in which case relevant expenses (if any) shall be for the account of Party B. Party A shall not be held liable to Party B or any other person for such cleaning or disposal.

18-7 Party A, if intends to carry out alterations, additions or fit-outs to the Premises, shall obtain Party B's prior consent (which consent shall not be unreasonably withheld). Party B hereby acknowledges that Party A shall have the right to re-decorate, make additions to, remove or dispose of any part and facility of the Office Building (except for the facilities of Party B on the Premises) at any time at its sole discretion.

18-8 The Premises provided by Party A to Party B in accordance with the terms and conditions hereof shall be ready for normal use.

18-9 Party A shall not interfere with or hinder Party B's normal and reasonable use of the Premises, except to the extent that Party A exercises its rights hereunder.

Clause 19 Other Rights and Obligations of Party B

19-1 In addition to Party B's obligations provided elsewhere herein, Party B shall fulfill the following obligations:

(1) Party B shall use the Premises in a reasonable manner for such purposes as provided herein and shall not arbitrarily change the purpose of the Premises without Party A's prior written consent.

(2) Party B shall keep the Premises (including but not limited to the fit-outs and ancillary facilities and equipment as listed in Appendix 2 hereto) in a clean, intact and serviceable condition.

(3) Party B shall strictly comply with the regulations of the Office Buildings and other regulations as may be formulated and amended by Party A and/or the Property Management Company regarding the management of the Office Building. None of Party B and its employees and contractors shall affect or interfere with the normal management of the Office Building by Party A and/or Property Management Company.

(4) Party B shall not ruin or destroy any public place or any equipment or facility installed thereon.

(5) Party B shall not place any goods, furniture or garbage in any public corridor or other public area, or block such places, or throw away any waste in any public area.

(6) Party B shall not bring into or place in the Premises any weapon, ammo, niter, gunpowder, kerosene or other flammable or explosive hazardous substance, contraband or other items against local custom or other items for which insurance premiums of the Premises are required to be increased.

(7) Party B shall not carry out or permit or acquiesce in any illegal or unethical activity, any religious activity or any other activity that Party A deems improper on the Premises, or any activity that may cause or arouse hatred of any other user or tenant, or any activity that disturbs or may disturb any other owner or tenant who is silently and peacefully using public areas of the Office Building and any premises other than the Premises.

(8) Without Party A's prior written consent, Party B shall not display, set up, paste or hang any mark, text, sign, poster, flag, advertising board or bulletin outside the Premises, including public corridors, windows, exterior walls or rooftop.

(9) Party B shall be responsible for the actions of its employees, visitors and contractors, and shall ensure they will not damage the Premises or take any other action prohibited hereby. Party B shall be liable to Party A for losses caused thereto as a result of any intentional act or negligence of its employees and contractors on the Premises or at any place of the Office Building.

(10) Party B shall not carry out or permit or acquiesce in any activity that may result in the insurance for the Premises to lapse or an increase in insurance premiums. In the event that Party A pays additional insurance premiums, incurs other expenses or sustains other losses as a result of Party B's violation of the foregoing provisions, Party B is required to promptly indemnify Party A for all losses, damages and expenses thus sustained or may be sustained by Party A.

(11) Party B shall not move any heavy machinery, equipment, goods or fit-out materials into or out of the Premises without Party A's prior written consent. Party B shall not place any heavy item of excessive weight over the prescribed limit on the floor or elsewhere of the Premises. Before any item is moved into the Premises, Party B shall notify Party A or the Property Management Company and inquire about the maximum load capacity of the Premises. Party A or the Property Management Company shall have the right to determine the location where any safe box or other heavy item is placed so as to guarantee load balancing. Any professional instrument or equipment that has been moved into the Premises shall be placed on a proper support provided by Party B at its own expense, which placement shall be subject to the requirements of Party A or the Property Management Company so as to protect other users from the disturbance of shake or noise. In the event that Party B is in breach of this Contract and fails to remedy such breach, without Party A's prior written consent, Party B shall not move out of the Premises its own equipment, instruments, goods and other property.

(12) Party B must comply with and procure its guests, visitors or permitted users to comply with the regulations and restrictions governing vehicle parking as formulated by Party A or the Property Management Company, and shall not allow its vehicles, or allow or acquiesce in the random parking of the vehicles of other guests, visitors or permitted users to block the passage or other public areas of the Office Building.

(13) Party B shall not remove or permit the removal of interior installations, equipment and facilities that remain the property of Party A, except otherwise agreed by Party A in writing.

(14) Without Party A's prior written consent, Party B shall not engage in or operate the following businesses or undertakings by using or on the Premises: sale of any type of breeding, industrial or production manufacturing workshops, warehouses, funeral parlors or funeral supplies, and the lease of Buddha halls, Zawiyas and other religious places, niches, guest houses, hotels and bunks.

(15) Party B shall not let noise inside the Premises get into any part of the Office Building.

(16) Party B shall obtain all the approvals, business licenses and permits as required to carry out legitimate business operations on the Premises, and shall update such approvals, business licenses and permits in due time.

(17) Party B shall not engage in any form of promotion or solicitation at any place in the Office Building.

(18) Without prior written consent of Party A or the Property Management Company,

Party B shall not use the name or logo of the Office Building or the Premises or any picture, acoustic image or image containing such name or logo for any purpose other than directing to Party B's premises and location.

(19) During the Fit-out Period and the Lease Term, Party B shall not reduce Tax-Inclusive Rent, Tax-Inclusive Property Management Fees, security deposits and Other Expenses payable to Party A for any reason whatsoever.

(20) During the Lease Term, Party B shall be obligated to provide Party A with written documentation for the valid and satisfactory insurance procured by Party B upon Party A's request from time to time.

(21) Without Party A's prior written consent, Party B shall not establish any new company, subsidiary or office whose registered address or business address is the address of the Premises.

(22) Party B shall take any reasonable precautions to prevent the Premises from storm, heavy rain, heavy snow or other similar bad weather. In case of the above bad weather, Party B shall especially guarantee that all doors and windows on the facade are closed or reasonably protected.

(23) Party B agrees to let Party A use its trademark to make a directory board or sign, and install the same at a designated location. The installation and setup of the directory board or sign shall be subject to Party A's management.

(24) Party B shall comply with Party A's requirements concerning environmental protection and energy saving, which requirements are detailed in the Fit-out Manual of the Office Building.

19-2 It is hereby acknowledged that, except otherwise agreed herein or the context otherwise clearly requires, the provisions of this Contract concerning all rights and obligations of the Parties during the Lease Term and corresponding liabilities for breach of contract shall also apply during the Fit-out Period hereunder.

Clause 20 Early Termination of Contract

20-1 It is agreed that, if one of the following circumstances arises during this Contract Period, then either Party may terminate this Contract without bearing any liability to the other Party:

(1) The Premises or any of its facilities and/or equipment ancillary thereto is damaged due to force majeure, thus resulting in failure to continue to perform this Contract (if the damage can be cured within one hundred and eighty (180) days as of the date of occurrence thereof, then this Contract shall not terminate);

(2) Any one of the following circumstances arises, thus rendering Party B unable to continue to lease the Premises:

(i) the Premises is legally expropriated by competent government authority at the city or district (county) level;

(ii) the Premises is relocated subject to the approval of competent government authority at the city or district (county) level;

(iii) the real estate title attached to the Premises are restricted legally by competent judicial or administrative authority; or

(iv) any other circumstance under which the lease of the Premises is prohibited by laws or regulations.

20-2 During this Contract Period, if either Party is under one of the following circumstances, the non-breaching Party shall have the right, but not the obligation, to terminate this Contract by written notice to the breaching Party:

(1) The primary structure of the Premises delivered by Party A is defective in quality and endangers Party B's safety due to reasons attributable to Party A;

(2) Party B changes the Purpose of Lease of the Premises without Party A's consent;

(3) Party B arbitrarily subleases or underleases the Premises or assigns this Contract without Party A's consent;

(4) The Premises is severely damaged due to reasons attributable to Party B, thus rendering it impossible for Party B to use the Premises;

(5) Party B defaults on the payment of Tax-Inclusive Rent, Tax-Inclusive Property Management Fees, Performance Bond, attorneys' fees or other payables due to reasons attributable to Party B, and remains so within twenty (20) days upon Party A's written notice, or Party B defaults on the payment of Tax-Inclusive Rent or Tax-Inclusive Property Management Fees for more than thirty (30) cumulative days within one (1) year;

(6) Party B is in breach of this Contract, and fails to remedy the breach within seven (7) days of Party A's written notice to remedy;

(7) Party B uses the Premises for illegal activities and receives any complaint or gets punished by law;

(8) The Premises or any property of Party B on the Premises is seized by competent judicial authority due to reasons not attributable to Party A;

(9) Party B carries out any fit-out and alteration works with respect to the Premises and facilities and equipment ancillary thereto without Party A's written consent or beyond the scope agreed by Party A in writing;

(10) Party B uses the Premises for any illegal purpose or any purpose not specified in Party B's business license;

(11) Party B is forced or willing to be liquidated (except for reorganization or merger purposes), or Party B's property is subject to enforcement, or a receiver is appointed for Party B;

(12) Party B's business registration with competent government authority has been canceled or revoked;

(13) The Premises is severely damaged due to reasons attributable to Party A, thus rendering Party B unable to use the Premises; or

(14) Any other circumstance agreed herein or allowed by applicable laws and regulations.

20-3 It is hereby agreed that, after this Contract becomes effective, in case of any change to Party B's existing shareholding structure, thus rendering Party B's existing controlling shareholder to cease to be its ultimate controlling shareholder, then Party B shall notify Party A within three (3) days following the execution date of the agreement on change of shareholder or the date on which the change of shareholder is approved or registered by competent government authority. In such case, Party A shall have the right, but not the obligation, to rescind this Contract and take back the Premises after receipt of the notice or the date on which Party A becomes aware of the change of Party B's controlling shareholder, and Party B shall indemnify Party A for any losses thus caused thereto.

Clause 21 Liability for Breach of Contract

21-1 Overdue fines

Without prejudice to Party A's other rights or remedies, if Party B fails to make any payment to Party A under this Contract, including but not limited to Tax-Inclusive Rent, Tax-Inclusive Property Management Fees, Performance Bond, Utility Bond, attorney's fees, electricity fees,

parking space usage fee (if any), charges for HAVC services during unusual working hours, fit-out bonds, rent for advertising spaces (if any), any liquidated damages and/or damages payable, overdue payment of Performance Bond and/or Utility Bond, and Other Expenses payable by Party B to Party A under this Contract, Party B shall pay Party A liquidated damages at the rate of one in a thousand (0.1%) of the outstanding payments for per day overdue commencing from the due date of each expenses mentioned above till the date when Party B has paid up all said expenses.

21-2 Additional Payment of Tax-Inclusive Rent and Tax-Inclusive Property Management Fees (if any)

If Party B terminates this Contract before it expires without Party A's consent (including leaving the Premises or removing goods from the Premises without Party A's consent, surrender of tenancy in advance, and rescission of this Contract before it expires, etc.) or Party A exercises the right to terminate this Contract unilaterally in accordance with the provisions of this Contract, Party B shall make additional payment to Party A for all of Tax-Inclusive Rent and Tax-Inclusive Property Management Fees(if any) exempted in the Fit-out Period to indemnity Party A's losses within the Fit-out Period. The amount of Tax-Inclusive Rent and that of Tax-Inclusive Property Management Fees exempted in the Fit-out Period shall be calculated subject to the calculation standard of Tax-Inclusive Rent stipulated in Clause 8-1 of this Contract, and that of Tax-Inclusive Property Management Fees stipulated in Clause 9-1 of this Contract respectively.

21-3 Responsibility for overdue surrender of the Premises

21-3-1 If Party B fails to surrender the Premises to Party A on the expiration date of the Lease Term or the early termination date of this Contract, Party B is deemed to surrender the Premises overdue, in which case Party A is entitled to collect from Party B the occupation fee and other expenses incurred in the overdue period. The occupation fee is charged in an amount equal to triple the sum of the maximum daily Tax-Inclusive Rent and the maximum daily Tax-Inclusive Property Management Fee during the Lease Term of the Premises on a per day basis as calculated until the date when Party B surrenders the Premises to Party A. Meanwhile, Party B shall also indemnify Party A all losses incurred by Party A thus sustained thereby, including but not limited to the liquidated damages and the intermediary fees (if any) paid by Party A due to delay delivery of the Premises to the new tenant.

21-3-2 Without prejudice to Party A's other rights under this Contract, if Party B fails to surrender the Premises to Party A on the expiration date of the Lease Term or the early termination date of this Contract, Party A shall have the right , but not the obligation to unlock the door of the Premises and replace the lock on the day following the expiration date of the Lease Term or the early termination date of this Contract, removing all articles including but not limited to furniture, fixtures and other additions from the Premises to vacate the Premises, and repairing the Premises in accordance with the restoration standards specified herein for repossession. Party A shall not be liable for any damage to Party B's properties and Party B's loss thus sustained thereby. Party A shall have the right to charge Party B reasonable storage fees for the articles left by Party B in the Premises, and to sell, transfer, discard or dispose such articles in any other way in which Party A deems appropriate. The proceeds (if any) therefrom will be used for the payment of any arrears of Party B to Party A and the indemnification to Party A's losses incurred and to be incurred due to the causes specified in this clause. However, in no event shall Party A be obligated to pay or repay any amount to Party B in respect of such articles.

21-4 Responsibility for overdue completion of cancellation or change of industrial and commercial registration regarding the Premises

If Party B fails to complete the cancellation or change procedures in accordance with the time limit stipulated in Clause 17-2 hereof, Party B shall pay liquidated damages to Party A in an amount equal to triple the sum of the maximum daily Tax-Inclusive Rent and the maximum daily Tax-Inclusive Property Management Fee during the Lease Term of the Premises for per day overdue.

21-5 Liquidated damages

21-5-1 Subsequent to the delivery of possession of the Premises, if Party A exercises the right to terminate this Contract under the circumstances specified herein, except as otherwise provided in this Contract, Party A will return no Tax-Inclusive Rent paid by Party B prior to Party A's termination of this Contract (whether the lease term corresponding to Tax-Inclusive Rent has expired or not), and shall have the right to claim against Party B for all of Tax-Inclusive Rent (if any) exempted to Party B during the Fit-out Period specified in Clause 6-1 hereof. In addition, for Party A's losses to the remaining of the Lease Term after early termination of this Contract (hereinafter referred to as "the Remaining Lease Term"), Party B shall pay Party A liquidated damages equal to:

(1) Tax-Inclusive Rent of the Remaining Lease Term of the Premises if the Remaining Lease Term is less than six (6) months, provided that such liquidated damages are more than four (4) months of Tax-Inclusive Rent of the Premises;

(2) six (6) months of Tax-Inclusive Rent of the Premises if the Remaining Lease Term is more than six (6) months (including six (6) months) but less than one (1) year;

(3) nine (9) months of Tax-Inclusive Rent of the Premises if the Remaining Lease Term is more than one (1) year (including one (1) year) but less than two (2) years;

(4) twelve (12) months of Tax-Inclusive Rent of the Premises if the Remaining Lease Term is more than two (2) years (including two (2) years) but less than three (3) years.

Party A can offset Performance Bond and Utility Bond with the liquidated damages payable by Party B equally. If the liquidated damages paid by Party B subject to the above standards are insufficient to indemnify Party A's losses, Party A shall have the right to further claim against Party B for the difference thereof.

21-5-2 If Party A exercises the right to terminate this Contract under the circumstances specified herein, in addition to the rights stipulated in Clause 21-5-1 of this Contract in respect of Party A's loss of rents in the Remaining Lease Term, Party A shall also have the right to claim against Party B for losses suffered by Party A due to Party B's breach of contract prior to the termination date hereof pursuant to other terms of this Contract and/or legal provisions, including but not limited to Tax-Inclusive Rent, Tax-Inclusive Property Management Fees, Utility Expenses and Other Expenses payable by Party B.

21-5-3 Subsequent to the conclusion of this Contract, an early termination of this Contract by Party B without Party A's consent (including leaving the Premises or removing goods from the Premises without Party A's consent, surrender of tenancy in advance, and rescission of this Contract before it expires, etc.) shall constitute a material breach of contract by Party B, provided, however, that this Contract will not be terminated accordingly. In this case, Party A shall have the right to require Party B to continue to perform this Contract and claim against Party B for the losses incurred; or to require Party B to pay Party A liquidated damages in an amount equal to Tax-Inclusive Rent calculated by number of days for surrender of tenancy in advance. If the liquidated damages are insufficient to indemnify Party A's losses, Party B shall also be responsible for indemnifying the difference. Party A can offset Performance Bond and Utility Bond with the liquidated damages payable by Party B equally. If Performance Bond and Utility Bond are insufficient to offset, Party B shall make up the insufficient amount.

21-5-4 When Party A exercises the right to terminate this Contract as agreed herein or requires Party B to pay liquidated damages under this Contract, Party B shall bear the liability for breach of contracts to Party A subject to the amount of liquidated damages regardless of whether Party A has actual losses or not. Party B agrees that Party B shall not require to increase or decrease the amount of liquidated damages on the ground that the liquidated damages are lower than or higher than (including excessively lower than or higher than) Party A's losses.

21-5-5 Unless otherwise provided herein, if, subsequent to the delivery of possession of the Premises, Party B exercises the right to terminate this Contract under the circumstances

specified herein, Party A shall pay Party B liquidated damages equal to the sum of three (3) months of tax-exclusive rent (See Clause 8-1 above for tax-exclusive rent of the Premises) and three (3) months of tax-exclusive property management fees (See Clause 9-1 above for tax-exclusive rent of the Premises); if the liquidated damages paid by Party A subject to above provisions are insufficient to indemnify Party B's losses, Party B shall have the right to further claim against Party A for the difference thereof.

21-6 Discontinued usage of the Premises or supply of public utilities

21-6-1 If Party B violates any payment obligation under this Contract and fails to make the payment after two (2) reminders from Party A, in addition to Party A's other rights under this Contract, Party A, with notice to Party B in prior, shall have the right to cease the supply of or prohibit Party B from using relevant utilities, facilities and equipment, take measures and actions to close down or prohibit Party B from using the Premises until Party B remedy the said breaches.

21-6-2 During the said period when Party A ceases the supply of or prohibits Party B from using relevant utilities, facilities and equipment, or takes measures and actions to close down or prohibit Party B from using the Premises, Party B shall still pay Tax-Inclusive Rent, Tax-Inclusive Property Management Fees and other related expenses in accordance with the provisions hereof and bear all other consequences and all costs arising therefrom (including the expenses for re-supplying water and electricity).

21-7 Losses of Party A

Subject to this Contract, Party A's losses include but are not limited to actual losses incurred by Party A due to Party B's breach of contract, the intermediary or consultant fees (if any) paid by Party A to the intermediary or consultant for the conclusion hereof, the rent for the Fit-out Period and/or the rent-free period (if any), the cost of reinstating the Premises to its original conditions, the cost of performing the obligations on behalf of Party B, and the losses of rents and property management fees during the vacancy period of Premises, the reduction of Party A's expected proceeds, and costs and expenses incurred by Party A for taking actions to reduce the losses or claim indemnities against Party B, the intermediary fee or consulting fees paid by Party A to the intermediary for finding a new tenant, the service fee to be paid to the third party, the liquidated damages or indemnities paid by Party A, litigation/arbitration fees, notarization fees, evidence or property preservation fees, and attorneys' fees, etc.

Clause 22 Insurance

22-1 The subject matter of the insurance purchased by Party A shall be limited to the Premises, and facilities and equipment ancillary thereto, and such insurance shall be in favor of Party A. During the term hereof, in case of any insurance accident, Party A or the person designated by Party A is entitled to own the indemnities paid by the relevant insurance company under the insurance policy of Party A. Party B has no right to claim for sharing the insurance indemnities paid by the relevant insurance company and owned by Party A on the ground of property loss or personal injury caused by such insurance accident.

22-2 If the Premises are redecorated within the Fit-out Period or the Lease Term, Party B shall, at its own expense, purchase construction all risks insurances (including third party liability insurances) for the fit-out works of the Premises, and maintain the insurances during the said Fit-out Period. The construction all risks insurances (including the third party liability insurances) insured by Party B must meet the following conditions:

(1) Party A, Party B and the project contractor shall be the co-insured;

(2) The insurance period must be consistent with the Fit-out Period;

(3) The insured amount for material losses in the insurance policy shall be sufficient to indemnify the total project price;

(4) The insured amount for the public liability in the insurance policy shall meet the requirements of Party A, with a minimum indemnity not less than RMB 1,000,000.00.

The insurance policy should include the following special additional clauses: (1) cross- liability clause; (2) tenant liability clause; and (3) clause of waiver of subrogation between the insureds.

22-3 Before fit-out works, Party B shall submit to Party A the insurance policies specified in Clause 22-2 and the vouchers evidencing premium paid as the necessary preconditions for Party B's commencement of fit-out works on site. During the Fit-out Period, Party A or the Property Management Company may require Party B at any time to provide written documents that can prove the validity and compliance of the insurances.

22-4 During the performance hereof, Party B shall, at its own expense, purchase the comprehensive general liability insurances for its own property and other insurable items, including public liability insurance, fire liability insurance, third party liability insurance and property insurance. Party B shall, within thirty days after the expiration of the Fit-out Period, submit to Party A such documents that can prove the validity of the insurances as the insurance policies and the vouchers evidencing premium paid, and ensure that such insurances are maintained to be effective during the term hereof.

22-5 Party B shall purchase insurances in accordance with the above-mentioned agreements and ensure that such insurances are maintained to be effective during the Lease Term. If Party A is aware that Party B has not purchased the insurances or the insurances purchased has become invalid, Party A is entitled to require Party B to forthwith purchase the insurances or ensure that the insurances purchased take effect immediately. If Party B fails to fulfill the above obligations within the period required by Party A, Party B is deemed to be in a breach of contracts, in which case Party B shall pay Party A liquidated damages calculated subject to the following methods. Party B shall pay Party A liquidated damages at a rate of fifty percent (50%) of the maximum daily Tax-Inclusive Rent during the Lease Term of the Premises per day from the commencement date of the Lease Term or from the date when the insurance purchased by Party B becomes invalid till the date when Party B purchases the insurances or the insurances purchased take effect. In addition to the said rights, Party A shall have the right, but not the obligation, to purchase the corresponding insurances on behalf of Party B. If Party A purchases the corresponding insurances on behalf of Party B, Party B shall bear the relevant expenses incurred by Party A arising from the purchase of the insurances on behalf of Party B based on the payment of above liquidated damages to Party A, including but not limited to the fees charged by the insurance company and the reasonable expenses incurred by Party A thus sustained thereby.

22-6 Party A shall not be liable for any injury or damage suffered by Party B's personnel, goods, commodities or other property, or Party B's employees, contractors, invitees, customers or any other person in or near the Premises resulting from any fire, steam, electricity, gas/natural gas, water, rain, or breakage, leakage, blockage or other defects of pipelines, fire water drainage devices, electric wires, electrical appliances, ducts, heating equipment, ventilation facilities, HVAC system, lighting, lifts, escalators or equipment or otherwise, when occurred in the Premises or other parts of the Office Buildings or from other sources or at other places, except for any injury or damage that are the result of Party A's fault.

Clause 23 attorneys' fees, taxes and other expenses

23-1 Party B shall be liable for: (1) the attorney's fee of RMB 6,000.00 incurred from the attorneys' drafting of this Contract as mandated by Party A, which will be increased to RMB 10,000.00 if an English version is required; (2) the attorney's fee of RMB 1,000.00 (if any) incurred from transacting lease registration and filing formalities according to laws; and (3) stamp duties payable by Party B in connection herewith. Party B shall pay the fee stated in item (1) to the law firm designated by Party A at or before the conclusion hereof.

23-2 After this Contract comes into effect, if there is any amendment to this Contract under reasonable requirements of Party B, it shall be approved by Party A with the expenses arising therefrom to be for the account of Party B., including but not limited to: (1) the

administrative fee amounting to RMB 5,600.00 charged by Party A for each contract (including the supplementary agreement); (2) the attorney's fee of RMB4,000.00 incurred from the attorneys' preparation of the amended lease contract as mandated by Party A, which will be increased to RMB 5,000.00 with an English version available, and decreased to RMB3,000.00 if Party A mandates the attorneys to prepare a supplementary agreement instead of the amended lease contract except an English version thereof is required, in which case the attorney's fee is still RMB4,000.00; (3) the attorney's fee of RMB 1,000.00 (if any) incurred from transacting lease registration and filing formalities by Party A under Party B's entrustment; provided that Party A shall have the right to make adjustments on the said attorneys' fees.

23-3 If Party A agrees with Party B to sublease or underlease the Premises, Party B shall bear the expenses arising therefrom., including but not limited to: (1) the administrative fee amounting to RMB 5,600.00 charged by Party A for each contract (including the supplementary/termination agreement); (2) the attorney's fee incurred from the attorneys' preparation of the sublease or under-lease documents as mandated by Party A, which will be RMB 4,000.00 if Party B transfers the tenancy of the Premises to a third party in whole, and RMB 5,000 with an English version thereof available; (3) the attorney's fee of RMB 1,000.00 (if any) incurred from transacting lease registration and filing formalities by Party A under Party B's entrustment; provided that Party A shall have the right to make adjustments on the said attorneys' fees.

23-4 After this Contract comes into effect, if an early termination of this Contract is agreed by Party A after a negotiation between the Parties, Party B shall bear the expenses arising therefrom, including but not limited to: (1) the administrative fee amounting to RMB 5,600.00 charged by Party A for each termination contract; (2) the attorney's fee of RMB 4,000.00 incurred from the attorneys' preparation of the termination contract as mandated by Party A, which will be increased to RMB 5,000.00 with an English version available; provided that Party A shall have the right to make adjustments on the said attorneys' fees.

23-5 Party B shall pay Party A:

(1) the contract price inclusive of Tax-Inclusive Rent, Tax-Inclusive Property Management Fees and Other Expenses agreed herein. The contract price is a VAT-inclusive price, which shall be updated and adjusted according to the applicable tax types and/or tax rate fluctuations pursuant to laws and policies timely based on the formula as below:

Monthly Tax-Inclusive Rent (monthly Tax-Inclusive Property Management Fees)=the original monthly Tax-Inclusive Rent (or the original Tax-Inclusive Property Management Fees) *(1+applicable adjusted tax rate);

(2) additional expenses of various natures incurred actually other than the contract price (including but not limited to liquidated damages, indemnities, collections and advances according to the relevant provisions of applicable tax laws, all of which are inclusive of tax).

Clause 24 Waiver of Rights, Severability and Non-exclusive Remedies

24-1 Party A's awareness of Party B's breach of contracts and acceptance of Tax-inclusive Rent or other payments shall not be construed as a waiver by Party A of its rights to claim for Party B's liability for breach of contracts. Neither Party B's payment of Tax-inclusive Rent or other payment that are insufficient to the amount specified herein, nor Party A's acceptance of the insufficient Tax-inclusive Rent or other payments, shall be construed as Party A's consent to Party B's underpayment of Tax-Inclusive Rent or other payments, or affect Party A's rights of recourse to rent in arrears and other rights stipulated in this Contract and laws.

24-2 If any of the provisions hereof is held invalid or illegal in any respect, such invalidity or illegality shall not affect in any way the validity and legality of any other provisions hereof. Either party's failure or delay to exercise any right under this Contract shall not be deemed as a waiver of such right, and no waiver by either party of any rights shall be effective unless it is expressly stated by such party in writing.

24-3 At any time during this Contract Period, Party A, at its sole discretion, shall have the right to transfer or mortgage the Premises to a third party, and to agree with the third party to dispose or sell the Premises in discount or deal with the Premises in other means, without informing Party B or consulting Party B's opinion in prior. Party B hereby expressly undertakes that: Party B irrevocably and unconditionally waives the right to require any notice and the right of first refusal for Party A's sale, mortgage and other disposal of the Premises in accordance with the said provisions.

24-4 The Parties hereby irrevocably declare and acknowledge that, the Parties have fully discussed the contents of this Contract, and clearly understand all terms hereof, including Tax-Inclusive Rent, Tax-Inclusive Property Management Fees, Performance Bond, Utility Bond, liquidated damages, the Purpose of Lease, Party A's right to lease and either Party's liability limitation or exemption, and the Parties' rights and liabilities. The Parties waive the right to make any defense against the other party or refuse to perform this Contract at any time (including arbitration or litigation) by claiming that there is a material misunderstanding on this Contract terms, or terms of this Contract are obviously unfair, standard clauses or unclear.

Clause 25 Exclusions

25-1 Party A shall not be held liable to Party B or any other person for Party B's personal or property damage caused by the failure or interruption of public utilities, service facilities or safety facilities, or fire, flood, pest and other events unless such damage is the result of Party A's fault, and Party B shall not terminate, suspend or refuse the payment of Tax-Inclusive Rent, Tax-Inclusive Property Management Fees, Other Expenses or any part thereof paid by Party B under this Contract for the excuse of such events unless the said failure or interruption lasts for more than seventy-two (72) hours.

25-2 If the said events last for more than seventy-two (72) hours, Party A agrees to reduce or exempt Party B's exclusive-tax rent based on the time actually affected. However, if such failure or interruption is the result of Party B's fault, Party B shall not terminate, suspend or refuse the payment of Tax-Inclusive Rent, Tax-Inclusive Property Management Fees, Other Expenses or any part thereof on this ground regardless of the length of time of the said failure or events last.

Clause 26 Notice

26-1 Any notice or communication between the Parties hereto pursuant to or in connection with this Contract shall be sent in writing to the following address or fax number:

Party A: Shanghai Orient Overseas Kaixuan Real Estate Co., Ltd
Address: Room 07-09, 7/F, Office Building 3, Raffles City Changning, No.1193, Changning Road, Shanghai
Postcode: 200051
Fax: 86 21 6263 9810

Party B: See Commercial Terms for details
Correspondence address (1): See Commercial Terms for details
Postcode: See Commercial Terms for details
Correspondence address (2): See Commercial Terms for details
Postcode: See Commercial Terms for details
Fax: See Commercial Terms for details
Contact person: See Commercial Terms for details
Contact number: See Commercial Terms for details

26-2 Any notice or communication shall be deemed to have been received: in the case of delivery directly, at the time of delivery; in the case of delivery by fax, when it is sent, provided that the addressee confirms in writing subsequently; in the case of delivery by registered mail, five (5) days after the date of posting; and in the case of delivery by courier service, three(3) days after the date of delivering to the courier service. Party A shall have the right to select any correspondence address of Party B specified in this clause to mail or deliver the notice to Party B.

Clause 27 Confidentiality obligations

27-1 The Parties shall assume confidential obligations for any business secrets regarding the lease of the Office Building or the Premises, and the plan and construction progress of the Office Building known or received during the performance of this Contract (including the Appendices), Additional Terms and its Appendices, the Tenant Manual, the Fit-out Manual and other relevant documents (excluding the information required to be disclosed according to applicable laws or compulsory orders of relevant courts and competent authorities). Without the consent of the other Party, neither Party shall disclose any third party (except for intermediaries confirmed by the Parties, such as the law firm/accounting firm, etc.) all or part of the terms and provisions contained in this Contract and/or any document (if any) agreed between the Parties in respect of the lease of the Premises, unless each party provides information to its employees and agents for the purpose of discussing, preparing, executing, and fulfilling this Contract, or such information has become public through other means or is required to be disclosed subject to laws. Otherwise, the Disclosing Party shall indemnify the other Party for any losses actually suffered thereby. The Parties shall assume the confidentiality obligations permanently, which is not subject to the performance term of this Contract.

Clause 28 Force Majeure

28-1 “Force Majeure” in this Contract includes:

(1) Phenomena such as earthquake, fire, explosion, tsunami, hail disaster, typhoon, hurricane, storm, flood, ground subsidence, thunder and lightning and others;

(2) Abnormal social phenomena such as war, acts similar to war, armed conflicts, strike, insurrection, rebellion, riots and others ;

(3) Government actions such as government regulation, expropriation or change of government planning; and

(4) Other circumstances prescribed by laws.

28-2 If either Party fails to perform any of its obligations under this Contract due to an event of force majeure, the Party shall notify the other Party in writing within 14 days subsequent to the event of force majeure, and the Parties shall reduce their respective losses by reasonable and practicable means as much as possible. In case of an event of force majeure, neither Party shall be held liable for any damage, increased expense or loss suffered by the other Party due to the failure to perform its obligations as the result of the event of force majeure. Such failure to perform the obligations shall not be deemed as a breach of contract. The Party claiming inability to perform its obligations due to an event of force majeure shall take appropriate measures to minimize or remove the effects of the event of force majeure as much as possible, and within the shortest possible time, do its best to resume performance of the obligations affected by the event of force majeure.

28-3 Either Party shall have the right to notify the other Party in writing to forthwith terminate this Contract in advance in the event that such force majeure persists for a period more than three (3) months, in which case the Parties shall not bear the responsibilities mutually.

Clause 29 Governing Law

29-1 This Contract shall be governed by the laws of the People’s Republic of China.

Clause 30 Dispute Resolution

30-1 Any dispute arising out of the performance of this Contract shall be settled by the Parties through negotiation. If such negotiation fails, either Party may file a lawsuit to the people's court where the Premises is located.

Clause 31 Miscellaneous

31-1 In the course of a dispute arising from this Contract or dispute resolution of this Contract, the Parties shall continue to perform the provisions of this Contract, except for matters in dispute.

31-2 Party A, as a member of the CapitaLand Group, is committed to carrying out businesses on the principle of business ethics, and requiring all employees and counterparties of Party A to restrain themselves subject to high standards of business ethics in compliance with applicable laws against corruption (hereinafter referred to as "Anti-corruption Laws").

31-3 Party B represents and warrants that, to the best of its knowledge, neither Party B nor any person acting as the agent/representative of Party B in any capacity (including but not limited to Party B's employees, agents, affiliates and subcontractors) (collectively referred to as "Party B's Representatives"), has violated, or procured or encouraged any third party (for the avoidance of doubt, including Party A's employees or any person acting as the agent/representative of Party A) in respect of [this Contract] or the matters involved to violate any Anti-corruption Laws

31-4 If any employee of Party A or any person acting as the agent/representative of Party A, or Party B's Representatives, have violated or attempted to violate any Anti-corruption Laws in respect of this Contract or matters involved, Party B shall forthwith notify Party A and take adequate measures to protect the interests of the Parties. All such notices shall be sent to the person in charge of the internal audit department of the CapitaLand Group by email to Whistleblowing.ACChair @ capitaland.com.

31-5 If Party B or any of Party B's Representatives have violated or attempted to violate any Anti-corruption Laws, Party A shall have the right to forthwith terminate this Contract regardless of whether such violation is in connection with this Contract, and such termination of this Contract shall not affect Party A's other rights and remedies in accordance with this Contract or other sources of rights.

31-6 Unless otherwise agreed herein, the Parties shall pay the stamp duty related to this Contract separately, and assume other relevant expenses on a pro-rata basis or independently subject to the regulations of relevant authorities.

31-7 Given that Party A has not obtained the real estate ownership certificate of the Premises, letting or lease stated in this Contract and the Additional Terms (including Appendices) means pre-lease or is pre-lease by nature. After Party A obtains the real estate ownership certificate of the Premises, the nature of the lease of the Premises will automatically change from pre-lease to lease, after which this Contract will remain unchanged.

31-8 The registration and filing of this Contract shall be made on a voluntary basis of the Parties. Either Party in need of transacting the registration and filing formalities hereof shall go through the registration and filing formalities independently when the registration and filing conditions of this Contract are met, and bear all expenses arising therefrom. the Parties agree that, in case of any inconsistency between this Contract and the lease contract concluded by the Parties separately as required by the registration and filing of this Contract or the registration in competent administrations for industry and commerce and other reasons, this Contract shall prevail.

31-9 Videos, advertisements, real estate brochures and other publicity materials of the Office Building and the Premises are only used for Party B's reference to select the Premises and the specific conditions of the Office Building and the Premises shall be subject to the contents determined in this Contract.

31-10 Matters not covered in the Standard Terms hereof can be stipulated in the Additional Terms specified in Part III of this Contract mutually agreed by the Parties through consultation. The Additional Terms hereof (i.e. Part III of this Contract, if any) are supplements and amendments to relevant terms of this Contract made by the Parties. In case of any discrepancy between the Standard Terms and the Additional Terms, the Additional Terms shall prevail.

31-11 Prohibitions or restrictions imposed on Party B under this Contract shall also be applicable to Party B and/or its assignees, successors, agents, employees, construction and installation or decoration contractors, and subcontractors (hereinafter referred to as "Party B's parties"). Party B's parties shall also comply with the provisions under this Contract which Party B comply with. Any act, fault or negligence of Party B's parties shall be deemed as Party B's act, fault or negligence, for which Party B shall be liable to Party A.

31-12 This Contract is made in four counterparts with each Party holding two copies, all of which have the same effect. When this Contract is made in Chinese and in English concurrently, the Chinese version shall prevail in case of any discrepancy between the Chinese version and the English version.

31-13 This Contract shall come into force at the date when it is sealed by the Parties.

Part II Commercial Terms

Clause 32 Commercial Conditions of this Contract

Clause		Description
32-1	The Premises (Clause 2-1)	The location of the Premises (the marked part in Appendix I the Floor Plan of the Premises). the Premises is located in Room 08, 28/F, T2 office building, Changning Raffles Plaza, No. 1189, Changning Road, Changning District, Shanghai.
32-2	Gross Floor Area (Clause 3-1)	The gross floor area of the Premises shall be 335.84 m2.
32-3	Delivery Date (Clause 5-1)	The delivery date of the Premises shall be April 16, 2018.
32-4	Fit-out Period (Clause 6-1)	The Fit-out Period of the Premises shall be one and a half (1.5) months from the delivery date of the Premises, namely, from April 16, 2018 to May 31, 2018.
32-5	Lease Term (Clause 6-2)	1. The Lease Commencement Date of the Premises commences from June 1, 2018. 2. The Lease Term of the Premises shall be three (3) years from the Lease Commencement Date, namely, a period from June 1, 2018 to May 31, 2021.
32-6	Rent-free period	The Rent-free period is unavailable for the Premises.
32-7	Rent (Clause 8-1)	The monthly Tax-Inclusive Rent of the Premises shall be RMB 91,170.06 (in words: RMB ninety-one thousand one hundred and seventy point zero six), i.e., the monthly tax-exclusive rent of RMB 86,828.63 (in words: eighty-six thousand eight hundred and twenty-eight point six three, as calculated based on Gross Floor Area, i.e., RMB 8.50 per square meter per day) plus VAT thereon (RMB 4,341.43, in words: RMB four thousand three hundred and forty-one point four three).
32-8	Property Management Fee (Clause 9-1)	The monthly Tax-Inclusive Property Management Fee of the Premises shall be RMB 10,075.20 (in words: RMB ten thousand and seventy-five point two, as calculated based on Gross Floor Area, i.e., RMB 30.00 per square meter per day), i.e., the monthly tax-exclusive property management fee of RMB 9,504.91(in words: RMB nine thousand five hundred and four point nine one) plus VAT thereon (RMB 570.29, in words: RMB five hundred and seventy point two nine).
32-9	Other Expenses (Clause 10)	(1) The electricity is charged at RMB 1.2/kwh (including dissipation fee); (2) Utility Bond of the Premises is charged at RMB 12.00 per square meter, totaling in RMB 4,030.08 (in words: RMB four thousand and thirty point zero eight).

32-10	Performance Bond (Clause 11-1)	Performance Bond of the Premises is totaled in RMB 303,735.78 (in words: RMB three hundred and three thousand seven hundred and thirty-five point seven eight). Party B shall pay the remaining Performance Bond of RMB 202,490.52 (in words: RMB two hundred and two thousand four hundred and ninety point five two) when this Contract is concluded.
32-11	Notification method of Party B (Clause 26-1)	Party B: Shanghai Dina Biological Technology Co., Ltd. Address: Room 2918, Building 3, Corporate Avenue, No.168, Hubin Road, Huangpu District, Shanghai Postcode: 200021 Fax: / Contact person: WAN Yan Tel: 18611965371
32-12	Party B's VAT Invoice information	See Appendix IV for details

(Signature page)

Landlord/Party A: Shanghai Orient Overseas Kaixuan Real Estate Co., Ltd

(seal)

Legal representative (signature or seal)

Authorized agent (signature or seal) /s/ Chen Jingfen

Tenant/Party B: Shanghai Dina Biological Technology Co., Ltd.

(seal)

Legal representative (signature or seal)

Authorized agent (signature or seal) /s/ Yan Wan

Date of signing: March 22, 2018

Part III Additional Terms

1. The Clause 5-7 in Part I Standard Terms is amended and replaced with the following:

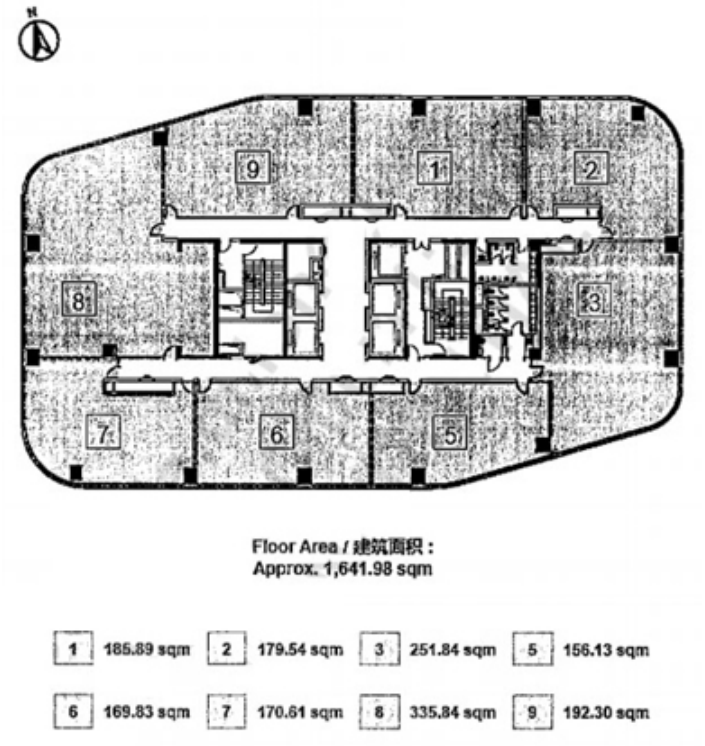
“Except where Party B commits a breach hereof or Party A’s failure of delivery is due to force majeure or any reason beyond Party A’s control, if Party A fails to deliver possession of the Premises to Party B on the Delivery Date, Party B agrees to grant Party A a grace period of forty-five (45) days in which Party A’s delivery of possession of the Premises to Party B shall not constitute a breach of contract. In such case, the Fit-out Period (if any) and relevant dates thereafter shall be extended accordingly.

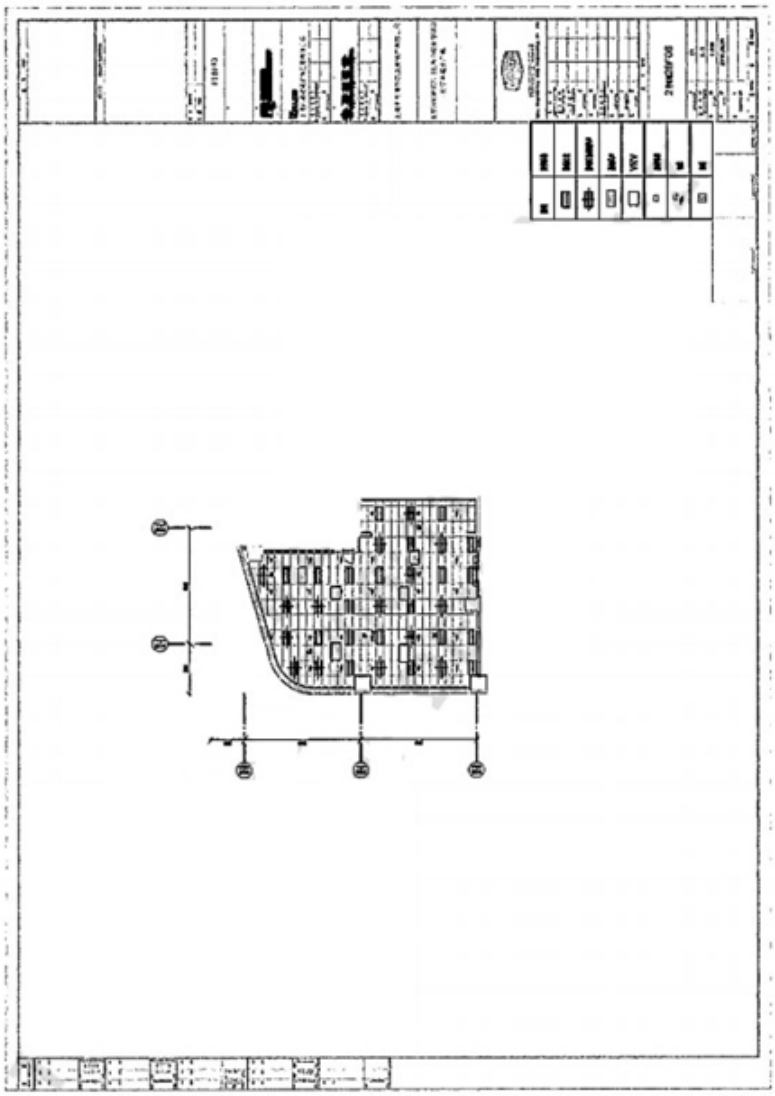
Should Party A remain unable to deliver possession of the Premises to Party B upon expiration of the said forty-five (45) days of grace period, then Party B shall have the right to forthwith terminate this Contract by written notice to Party A or to reschedule the Delivery Date through negotiations of the Parties. If Party B elects early termination of this Contract, Party A is required to, within thirty (30) days from the early termination date, refund to Party B such payments already made by Party B as Performance Bond (exclusive of tax) and initial installment of Tax-Inclusive Rent in accordance with the provisions of this clause, without any other liability to Party B.”

2. The Clause 17-2-1 in Part I Standard Terms is amended and replaced with the following:

“Party B shall, within seven (7) days from the expiration date of the Lease Term or the early termination date of this Contract, cancel or change the industrial and commercial registration, contract registration and other relevant licenses regarding the use of the address of the Premises as its registered address or business address. If Party B is a foreign-owned company, Party B shall elect to go through procedures for AIC change registration to facilitate the change or cancellation of the industrial and commercial registration, unless otherwise agreed by the Parties.”

(Paste place) (For seal on the perforation)





Appendix II
Fit-outs of and Facilities and Equipment Ancillary to the Premises/ Delivery Standards of the Premises

For reference only, and need to be confirmed by the owner

Ceiling	Mineral wool board absorbing sounds
Front and side doors	Painted wooden doors, and 16 single doors per floor
Door lock	Equipped with locks
Non-openable windows	Curtain wall system
Openable windows	12 windows per floor
Public corridor wall	Aerated concrete block wall with latex paint
Raised floor	100 mm

Appendix III
Breakdown of Property Management Fees

1. The following items shall be paid by the tenants before decoration:

1.1 New decoration

Classification	Item	Charging standard	Remarks
Decoration	Decoration management fee	RMB 20/m^2 (as calculated based on Gross Floor Area) The minimum amount shall be RMB 4,000	It is not refundable with no other fees charged except for the fees collected by the relevant government authorities and consultants designated by the developer.
	Fit-out bond	RMB 30/m^2 (as calculated based on Gross Floor Area) The minimum amount shall be RMB 20,000	The remaining balance can be refunded after the owner has made relevant deductions (if any, such as relevant repayable service, indemnities, and fines, etc.).
	Production cost for pass cards to construction personnel	RMB 10/person	The production cost for pass cards is non-refundable.
	Deposit for pass cards to construction personnel	RMB 50/person	It is refundable (unless the pass card is lost or confiscated).

1.2 Decoration for alteration

Classification	Item	Charging standard	Remarks
Decoration	Decoration management fee	RMB 20/m^2 (as calculated based on Gross Floor Area) The minimum amount shall be RMB 4,000	It is not refundable with no other fees charged except for the fees collected by the relevant government authorities and consultants designated by the developer.
	Fit-out bond	The deposit shall be RMB 10,000 per tenant	The remaining balance can be refunded after the owner has made relevant deductions (if any, such as relevant repayable service, indemnities, and fines, etc.).
	Production cost for pass cards to workers	RMB 10/person	The production cost for pass cards is non-refundable.
	Deposit for pass cards to workers	RMB 50/person	It is refundable (unless the pass card is lost or confiscated).

1.3 Decoration for restoration

Classification	Item	Charging standard	Remarks
Decoration	Fit-out bond	The deposit shall be RMB 10,000 per tenant	The remaining balance can be refunded after the owner has made relevant deductions (if any, such as relevant repayable service, indemnities, and fines, etc.).
	Production cost for pass cards to workers	RMB 10/person	The production cost for pass cards is non-refundable.
	Deposit for pass cards to workers	RMB 50/person	It is refundable (unless the pass card is lost or confiscated).

Note:

A) In any of the said circumstances, if a tenant requires to add special items, such as changes in main mechanical and electronic products, and architectural structures, such items will be charged separately.

B) In any of the said circumstances, the tenant shall also make payments subject to 1.3 standards.

2. The following items shall be paid by the tenants in case of use:

Classification	Item		Charging standard	Remarks
Utility fees and garbage clearance fee	Electricity fee		RMB 1.20/kwh (excluding tax)	Withheld by the owner
	Water charge		RMB 5.25/m^3 (excluding tax)	Withheld by the owner
	Fire water charge		RMB 800/time	For one use, it is composed of water drainage and filling together.
	Garbage clearance fee	New decoration	RMB 5/m^2 (with the gross floor area more than or equal to 1,500 m^2 in the whole floor)	The tenant is responsible for the clearance of all decoration waste, and deliver the wastes in packages to the place designated by the management center.
			RMB 7/m^2 (with the gross floor area more than or equal to 200 m^2)	
			RMB 10/m^2 (with the gross floor area less than 200 m^2)	
		Decoration for alteration and restoration	RMB 7/m^2 (with the gross floor area more than or equal to 1,500 m^2)	
			RMB 10/m^2 (with the gross floor area more than or equal to 200 m^2)	
			RMB 15/m^2 (with the gross floor area less than 200 m^2)	
Parking spaces for motor vehicles	Monthly rent of underground parking space		RMB 1,600/month (provisional)	Based on 24 hoursX365 days
	Preferential monthly rent for working hours		RMB 1,200/month (provisional)	Working day period (8:00-18:30), excluding the national holidays and the consecutive rest days which can be implemented by enterprises and institutions as recommended by the governments
	Hourly rent of parking spaces		Ground parking space: RMB 15/ hour (provisional) Underground parking space: RMB 10/hour (provisional) Parking space in unloading area RMB 15/hour (free of rent within 30 minutes) (Provisional)	/
Other expenses	Temporary labor cost for security personnel		RMB 60/hour (including invoice)	The minimum charging time is 4 hours. In case of national holidays, it shall be calculated on a pro-rata basis subject to the Labor Law of the PRC.
	Temporary labor cost for cleaning personnel		RMB 35/hour (including invoice)	
Communication	Telephone line		RMB 100/piece Within the delivery standard: 1 piece/10m^2 (by the gross floor area)	Charge in one lump sum (excluding the installation fees for lines from the vertical shaft for light-current on one floor to corresponding rooms).
			RMB 2,000/piece Beyond the delivery standard: 1 piece/10m^2 (by the gross floor area)	
	Data line		RMB 1,000/item (provisional)	Data line initial installation fee, relocation management fee (one-time charge).

	Shaft resource occupation fee	RMB 1,000/item (provisional)	For installation from the vertical shaft for light-current on one floor to corresponding rooms (new cable).
Nameplate	Floor nameplate	RMB 400/piece	Except the first installation.

Note: The developer reserves the right to modify this breakdown as it is not the final fee table.
If a tenant requests to add special items, such items will be charged separately.

Appendix IV
Registration Form of Party B's Invoice Information

Full name of Taxpayer	Shanghai Dina Biological Technology Co., Ltd.
Taxpayer identification number/unified social credit code	91310115MA1K3PQ31Y
Telephone number	
Address	3/F, Building 1, No. 400, Fangchun Road, China (Shanghai) Pilot Free Trade Zone
Account name	Shanghai Dina Biological Technology Co., Ltd.
Bank of deposit	Shanghai Huaizhong Sub branch of China Merchants Bank Co., Ltd.
Bank account number	121925978710902
Invoice type	General VAT invoice
Financial contact	WAN Yan

It is hereby declared that:

The information mentioned above is the only basis between Party A and Party B for the issuance of invoices. Party B guarantees that all information is true, effective, reliable and complete. In case of any false or incorrect information, or any failure of timely informing Party A in writing of the change of the said information, Party B agrees to bear the relevant legal liability and all adverse consequences, and warrant to hold Party A harmless from any liability.

TERNS PHARMACEUTICALS, INC.

2017 EQUITY INCENTIVE PLAN

As Adopted on November 21, 2017, as Amended on December 3, 2017, as Amended on October 16, 2018, as Amended on August 13, 2020 and as Amended on December 29, 2020[1]

1. PURPOSE. The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent and Subsidiaries by offering eligible persons an opportunity to participate in the Company's future performance through the grant of Awards covering Shares. Capitalized terms not defined in the text are defined in Section 14 hereof. Although this Plan is intended to be a written compensatory benefit plan within the meaning of Rule 701, grants may be made pursuant to this Plan that do not qualify for exemption under Rule 701 or Section 25102(o). Any requirement of this Plan that is required in law only because of Section 25102(o) need not apply if the Committee so provides.

2. SHARES SUBJECT TO THE PLAN.

2.1 Number of Shares Available. Subject to Sections 2.2 and 11 hereof, the total number of Shares reserved and available for grant and issuance pursuant to this Plan will be Thirty Six Million Six Hundred Seventy One Thousand Five Hundred Fifty Two (36,671,552) Shares. Subject to Sections 2.2 and 11 hereof, Shares subject to Awards that are cancelled, forfeited, settled in cash, used to pay withholding obligations or pay the exercise price of an Option or that expire by their terms at any time will again be available for grant and issuance in connection with other Awards. In the event that Shares previously issued under the Plan are reacquired by the Company pursuant to a forfeiture provision, right of first refusal, or repurchase by the Company, such Shares shall be added to the number of Shares then available for issuance under the Plan. At all times the Company will reserve and keep available a sufficient number of Shares as will be required to satisfy the requirements of all Awards granted and outstanding under this Plan. In no event shall the total number of Shares issued (counting each reissuance of a Share that was previously issued and then forfeited or repurchased by the Company as a separate issuance) under the Plan upon exercise of ISOs exceed Thirty Six Million Six Hundred Seventy One Thousand Five Hundred Fifty Two (36,671,552) Shares (adjusted in proportion to any adjustments under Section 2.2 hereof) over the term of the Plan (the "***ISO Limit***").

2.2 Adjustment of Shares. In the event that the number of outstanding Ordinary Shares of the Company is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or other change in the capital structure of the Company affecting Shares without consideration, then in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan (a) the number of Shares reserved for issuance under this Plan, (b) the Exercise Prices of and number of Shares subject to outstanding Options and SARs, and (c) the Purchase Prices of and/or number of Shares subject to other outstanding Awards will (to the extent appropriate) be proportionately adjusted, subject to any required action by the Board or the shareholders of the Company and compliance with applicable securities laws; *provided*, *however*, that fractions of a Share will not be issued but will either be paid in cash at the Fair Market Value of such fraction of a Share or will be rounded down to the nearest whole Share, as determined by the Committee.

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1 On November 21, 2017, 4,333,333 Shares were reserved upon adoption of the Plan for issuance thereunder. On December 3, 2017, the Plan was amended to reserve additional 1,666,667 Shares for an aggregate total of 6,000,000 Shares for issuance thereunder. On October 16, 2018, the Plan was amended to reserve additional 9,102,272 Shares for an aggregate total of 15,102,272 Shares for issuance thereunder. On August 13, 2020, the Plan was amended to reserve additional 500,000 Shares for an aggregate total of 15,602,272 Shares for issuance thereunder. On December 29, 2020, the Plan was amended to reserve additional 21,069,280 Shares for an aggregate total of 36,671,552 Shares for issuance thereunder.

3. PLAN FOR BENEFIT OF SERVICE PROVIDERS.

3.1 Eligibility. The Committee will have the authority to select persons to receive Awards. ISOs (as defined in Section 4 hereof) may be granted only to employees (including officers and directors who are also employees) of the Company or of a Parent or Subsidiary of the Company. NQSOs (as defined in Section 4 hereof) and all other types of Awards may be granted to employees, officers, directors and consultants of the Company or any Parent or Subsidiary of the Company; *provided* such consultants render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction when Rule 701 is to apply to the Award granted for such services. A person may be granted more than one Award under this Plan.

3.2 No Obligation to Employ. Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent or Subsidiary or limit in any way the right of the Company or any Parent or Subsidiary to terminate Participant's employment or other relationship at any time, with or without Cause.

4. OPTIONS. The Committee may grant Options to eligible persons described in Section 3 hereof and will determine whether such Options will be Incentive Stock Options within the meaning of the Code ("***ISOs***") or Nonqualified Stock Options ("***NQSOs***"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following.

4.1 Form of Option Grant. Each Option granted under this Plan will be evidenced by an Award Agreement which will expressly identify the Option as an ISO or an NQSO ("***Stock Option Agreement***"), and will be in such form and contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan.

4.2 Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, unless a later date is otherwise specified by the Committee. The Stock Option Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

4.3 Exercise Period. Options may be exercisable within the time or upon the events determined by the Committee in the Award Agreement and may be awarded as immediately exercisable but subject to repurchase pursuant to Section 10 hereof or may be exercisable within the times or upon the events determined by the Committee as set forth in the Stock Option Agreement governing such Option; *provided*, *however*, that (a) no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and (b) no ISO granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or of any Parent or Subsidiary ("***Ten Percent Shareholder***") will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

4.4 Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted and shall not be less than the Fair Market Value per Share unless

expressly determined in writing by the Committee on the Option's date of grant; *provided* that the Exercise Price of an ISO granted to a Ten Percent Shareholder will not be less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased must be made in accordance with Section 8 hereof.

4.5 Method of Exercise. Options may be exercised only by delivery to the Company of a written stock option exercise agreement (the "***Exercise Agreement***") in a form approved by the Committee (which need not be the same for each Participant). The Exercise Agreement will state (a) the number of Shares being purchased, (b) the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and (c) such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws. Each Participant's Exercise Agreement may be modified by (i) agreement of Participant and the Company or (ii) substitution by the Company, upon becoming a public company, in order to add the payment terms set forth in Section 8.1 that apply to a public company and such other terms as shall be necessary or advisable in order to exercise a public company option. Upon exercise of an Option, Participant shall execute and deliver to the Company the Exercise Agreement then in effect, together with payment in full of the Exercise Price for the number of Shares being purchased and payment of any applicable taxes. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 2.2 of the Plan. Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

4.6 Termination. Subject to earlier termination pursuant to Sections 11 and 13.3 hereof and notwithstanding the exercise periods set forth in the Stock Option Agreement, exercise of an Option will always be subject to the following terms and conditions.

4.6.1 Other than Death or Disability or for Cause. If the Participant is Terminated for any reason other than death, Disability or for Cause, then the Participant may exercise such Participant's Options only to the extent that such Options are exercisable as to Vested Shares upon the Termination Date or as otherwise determined by the Committee. Such Options must be exercised by the Participant, if at all, as to all or some of the Vested Shares calculated as of the Termination Date or such other date determined by the Committee, within three (3) months after the Termination Date (or within such shorter time period, not less than thirty (30) days, or within such longer time period after the Termination Date as may be determined by the Committee, with any exercise beyond three (3) months after the date Participant ceases to be an employee deemed to be an NQSO) but in any event, no later than the expiration date of the Options.

4.6.2 Death or Disability. If the Participant is Terminated because of Participant's death or Disability (or the Participant dies within three (3) months after a Termination other than for Cause), then Participant's Options may be exercised only to the extent that such Options are exercisable as to Vested Shares by Participant on the Termination Date or as otherwise determined by the Committee. Such options must be exercised by Participant (or Participant's legal representative or authorized assignee), if at all, as to all or some of the Vested Shares calculated as of the Termination Date or such other date determined by the Committee, within twelve (12) months after the Termination Date (or within such shorter time period, not less than six (6) months, or within such longer time period, after the Termination Date as may be determined by the Committee, with any exercise beyond (a) three (3) months after the date Participant ceases to be an employee when the Termination is for any reason other than the Participant's death or disability, within the meaning of Section 22(e)(3) of the Code, or (b) twelve (12) months after the date Participant ceases to be an employee when the Termination is for Participant's disability, within the meaning of Section 22(e)(3) of the Code, deemed to be an NQSO) but in any event no later than the expiration date of the Options.

4.6.3 For Cause. If the Participant is terminated for Cause, the Participant may exercise such Participant's Options, but not to an extent greater than such Options are exercisable as to Vested Shares upon the Termination Date and Participant's Options shall expire on such Participant's Termination Date, or at such later time and on such conditions as are determined by the Committee.

4.7 Limitations on Exercise. The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, *provided* that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable.

4.8 Limitations on ISOs. The aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which ISOs are exercisable for the first time by a Participant during any calendar year (under this Plan or under any other incentive stock option plan of the Company or any Parent or Subsidiary of the Company) will not exceed One Hundred Thousand Dollars ($100,000). If the Fair Market Value of Shares on the date of grant with respect to which ISOs are exercisable for the first time by a Participant during any calendar year exceeds One Hundred Thousand Dollars ($100,000), then the Options for the first One Hundred Thousand Dollars ($100,000) worth of Shares to become exercisable in such calendar year will be ISOs and the Options for the amount in excess of One Hundred Thousand Dollars ($100,000) that become exercisable in that calendar year will be NQSOs. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date (as defined in Section 13.1 hereof) to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, then such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

4.9 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, *provided* that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. Subject to Section 4.10 hereof, the Committee may reduce the Exercise Price of outstanding Options without the consent of Participants by a written notice to them; *provided*, *however*, that the Exercise Price may not be reduced below the minimum Exercise Price that would be permitted under Section 4.4 hereof for Options granted on the date the action is taken to reduce the Exercise Price.

4.10 No Disqualification. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant, to disqualify any Participant's ISO under Section 422 of the Code.

5. RESTRICTED SHARES. A Restricted Stock Award is an offer by the Company to sell to an eligible person Shares that are subject to certain specified restrictions. The Committee will determine to whom an offer will be made, the number of Shares the person may purchase, the Purchase Price, the restrictions to which the Shares will be subject, and all other terms and conditions of the Restricted Stock Award, subject to the following terms and conditions.

5.1 Form of Restricted Stock Award. All purchases under a Restricted Stock Award made pursuant to this Plan will be evidenced by an Award Agreement ("***Restricted Share Purchase Agreement***") that will be in such form (which need not be the same for each Participant) as the

Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. The Restricted Stock Award will be accepted by the Participant's execution and delivery of the Restricted Share Purchase Agreement and full payment for the Shares to the Company within thirty (30) days from the date the Restricted Share Purchase Agreement is delivered to the person. If such person does not execute and deliver the Restricted Share Purchase Agreement along with full payment for the Shares to the Company within such thirty (30) days, then the offer will terminate, unless otherwise determined by the Committee.

5.2 Purchase Price. The Purchase Price of Shares sold pursuant to a Restricted Stock Award will be determined by the Committee on the date the Restricted Stock Award is granted or at the time the purchase is consummated. Payment of the Purchase Price must be made in accordance with Section 8 hereof.

5.3 Dividends and Other Distributions. Participants holding Restricted Shares will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Committee provides otherwise at the time of award. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Shares with respect to which they were paid.

5.4 Restrictions. Restricted Stock Awards may be subject to the restrictions set forth in Sections 9 and 10 hereof or, with respect to a Restricted Stock Award to which Section 25102(o) is to apply, such other restrictions not inconsistent with Section 25102(o).

6. RESTRICTED STOCK UNITS.

6.1 Awards of Restricted Stock Units. A Restricted Stock Unit ("***RSU***") is an Award covering a number of Shares that may be settled in cash, or by issuance of those Shares at a date in the future. No Purchase Price shall apply to an RSU settled in Shares. All grants of Restricted Stock Units will be evidenced by an Award Agreement that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. No RSU will have a term longer than ten (10) years from the date the RSU is granted.

6.2 Form and Timing of Settlement. To the extent permissible under applicable law, the Committee may permit a Participant to defer payment under a RSU to a date or dates after the RSU is earned, *provided* that the terms of the RSU and any deferral satisfy the requirements of Section 409A of the Code (or any successor) and any regulations or rulings promulgated thereunder. Payment may be made in the form of cash or whole Shares or a combination thereof, all as the Committee determines.

6.3 Dividend Equivalent Payments. The Board may permit Participants holding RSUs to receive dividend equivalent payments on outstanding RSUs if and when dividends are paid to shareholders on Shares. In the discretion of the Board, such dividend equivalent payments may be paid in cash or Shares and they may either be paid at the same time as dividend payments are made to shareholders or delayed until when Shares are issued pursuant to the RSU grants and may be subject to the same vesting requirements as the RSUs. If the Board permits dividend equivalent payments to be made on RSUs, the terms and conditions for such payments will be set forth in the Award Agreement.

7. STOCK APPRECIATION RIGHTS.

7.1 Awards of SARs. Stock Appreciation Rights ("***SARs***") may be settled in cash, or Shares (which may consist of Restricted Stock or RSUs), having a value equal to the value determined by multiplying the difference between the Fair Market Value on the date of exercise over the Exercise Price and the number of Shares with respect to which the SAR is being settled. All grants of SARs made pursuant to this Plan will be evidenced by an Award Agreement that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan.

7.2 Exercise Period and Expiration Date. A SAR will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Award Agreement governing such SAR. The Award Agreement shall set forth the Expiration Date; *provided* that no SAR will be exercisable after the expiration of ten years from the date the SAR is granted.

7.3 Exercise Price. The Committee will determine the Exercise Price of the SAR when the SAR is granted, and which may not be less than the Fair Market Value on the date of grant and may be settled in cash or in Shares.

7.4 Termination. Subject to earlier termination pursuant to Sections 11 and 13.1 hereof and notwithstanding the exercise periods set forth in the Award Agreement, exercise of SARs will always be subject to the following terms and conditions.

7.4.1 Other than Death or Disability or for Cause. If the Participant is Terminated for any reason other than death, Disability or for Cause, then the Participant may exercise such Participant's SARs only to the extent that such SARs are exercisable as to Vested Shares upon the Termination Date or as otherwise determined by the Committee. SARs must be exercised by the Participant, if at all, as to all or some of the Vested Shares calculated as of the Termination Date or such other date determined by the Committee, within three (3) months after the Termination Date (or within such shorter time period, not less than thirty (30) days, or within such longer time period after the Termination Date as may be determined by the Committee) but in any event, no later than the expiration date of the SARs.

7.4.2 Death or Disability. If the Participant is Terminated because of Participant's death or Disability (or the Participant dies within three (3) months after a Termination other than for Cause), then Participant's SARs may be exercised only to the extent that such SARs are exercisable as to Vested Shares by Participant on the Termination Date or as otherwise determined by the Committee. Such SARs must be exercised by Participant (or Participant's legal representative or authorized assignee), if at all, as to all or some of the Vested Shares calculated as of the Termination Date or such other date determined by the Committee, within twelve (12) months after the Termination Date (or within such shorter time period, not less than six (6) months, or within such longer time period after the Termination Date as may be determined by the Committee) but in any event no later than the expiration date of the SARs.

7.4.3 For Cause. If the Participant is terminated for Cause, the Participant may exercise such Participant's SARs, but not to an extent greater than such SARs are exercisable as to Vested Shares upon the Termination Date and Participant's SARs shall expire on such Participant's Termination Date, or at such later time and on such conditions as are determined by the Committee.

8. PAYMENT FOR PURCHASES AND EXERCISES.

8.1 Payment in General. Payment for Shares acquired pursuant to this Plan may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

(a) by cancellation of indebtedness of the Company owed to the Participant;

(b) by surrender of shares of the Company that are clear of all liens, claims, encumbrances or security interests and: (i) for which the Company has received "full payment of the purchase price" within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or (ii) that were obtained by Participant in the public market;

(c) by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; *provided*, *however*, that Participants who are not employees or directors of the Company will not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares; *provided*, *further*, that the portion of the Exercise Price or Purchase Price, as the case may be, equal to the par value (if any) of the Shares must be paid in cash or other legal consideration permitted by the laws under which the Company is then incorporated or organized;

(d) by waiver of compensation due or accrued to the Participant from the Company for services rendered;

(e) by participating in a formal cashless exercise program implemented by the Committee in connection with the Plan;

(f) subject to compliance with applicable law, provided that a public market for the Company's Ordinary Shares exists, by exercising through a "same day sale" commitment from the Participant and a broker-dealer whereby the Participant irrevocably elects to exercise the Award and to sell a portion of the Shares so purchased sufficient to pay the total Exercise Price or Purchase Price, and whereby the broker-dealer irrevocably commits upon receipt of such Shares to forward the total Exercise Price or Purchase Price directly to the Company; or

(g) by any combination of the foregoing or any other method of payment approved by the Committee.

8.2 Withholding Taxes.

8.2.1 Withholding Generally. Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy applicable tax withholding requirements prior to the delivery of any certificate or certificates for such Shares. Whenever, under this Plan, payments in satisfaction of Awards are to be made in cash by the Company, such payment will be net of an amount sufficient to satisfy applicable tax withholding requirements.

8.2.2 Stock Withholding. When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the

Committee may in its sole discretion allow the Participant to satisfy the minimum tax withholding obligation by electing to have the Company withhold from the Shares to be issued up to the minimum number of Shares having a Fair Market Value on the date that the amount of tax to be withheld is to be determined that is not more than the minimum amount to be withheld; or to arrange a mandatory "sell to cover" on Participant's behalf (without further authorization) but in no event will the Company withhold Shares or "sell to cover" if such withholding would result in adverse accounting consequences to the Company. Any elections to have Shares withheld or sold for this purpose will be made in accordance with the requirements established by the Committee for such elections and be in writing in a form acceptable to the Committee.

9. RESTRICTIONS ON AWARDS.

9.1 Transferability. Except as permitted by the Committee, Awards granted under this Plan, and any interest therein, will not be transferable or assignable by Participant, other than by will or by the laws of descent and distribution, and, with respect to NQSOs, by instrument to an inter vivos or testamentary trust in which the NQSOs are to be passed to beneficiaries upon the death of the trustor (settlor), or by gift to "family member" as that term is defined in Rule 701, and may not be made subject to execution, attachment or similar process. For the avoidance of doubt, the prohibition against assignment and transfer applies to a stock option and, prior to exercise, the shares to be issued on exercise of a stock option, and pursuant to the foregoing sentence shall be understood to include, without limitation, a prohibition against any pledge, hypothecation, or other transfer, including any short position, any "put equivalent position" or any "call equivalent position" (in each case, as defined in Rule 16a-1 promulgated under the Exchange Act). Unless an Award is transferred pursuant to the terms of this Section, during the lifetime of the Participant an Award will be exercisable only by the Participant or Participant's legal representative and any elections with respect to an Award may be made only by the Participant or Participant's legal representative. The terms of an Option shall be binding upon the executor, administrator, successors and assigns of the Participant who is a party thereto.

9.2 Securities Law and Other Regulatory Compliance. Although this Plan is intended to be a written compensatory benefit plan within the meaning of Rule 701 promulgated under the Securities Act, grants may be made pursuant to this Plan that do not qualify for exemption under Rule 701 or Section 25102(o). Any requirement of this Plan which is required in law only because of Section 25102(o) need not apply with respect to a particular Award to which Section 25102(o) will not apply. An Award will not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable, and/or (b) compliance with any exemption, completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the exemption, registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure so do.

9.3 Exchange and Buyout of Awards. The Committee may, at any time or from time to time, authorize the Company, with the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. Without prior shareholder approval the Committee may reprice Options or SARs (and where such repricing is a reduction in the Exercise Price of outstanding Options or SARs, the consent of the affected Participants is

not required provided written notice is provided to them). The Committee may at any time buy from a Participant an Award previously granted with payment in cash, Shares (including Restricted Shares) or other consideration, based on such terms and conditions as the Committee and the Participant may agree.

10. RESTRICTIONSON SHARES.

10.1 Privileges of Share Ownership. No Participant will have any of the rights of a shareholder with respect to any Shares until such Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a shareholder and have all the rights of a shareholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; *provided*, that if such Shares are Restricted Shares, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Shares. The Participant will have no right to retain such stock dividends or stock distributions with respect to Unvested Shares that are repurchased as described in this Section 10.

10.2 Rights of First Refusal and Repurchase. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Award Agreement (a) a right of first refusal to purchase all Shares that a Participant (or a subsequent transferee) may propose to transfer to a third party, *provided* that such right of first refusal terminates upon the Company's initial public offering of Ordinary Shares pursuant to an effective registration statement filed under the Securities Act and (b) a right to repurchase Unvested Shares held by a Participant for cash and/or cancellation of purchase money indebtedness owed to the Company by the Participant following such Participant's Termination at any time.

10.3 Escrow; Pledge of Shares. To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated. The Committee may cause a legend or legends referencing such restrictions to be placed on the certificate. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of Participant's obligation to the Company under the promissory note; *provided*, *however*, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

10.4 Securities Law Restrictions. All certificates for Shares or other securities delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

11. CORPORATE TRANSACTIONS.

11.1 Acquisitions or Other Combinations. In the event that the Company is subject to an Acquisition or Other Combination, outstanding Awards acquired under the Plan shall be subject to

the agreement evidencing the Acquisition or Other Combination, which need not treat all outstanding Awards in an identical manner. Such agreement, without the Participant's consent, shall provide for one or more of the following with respect to all outstanding Awards as of the effective date of such Acquisition or Other Combination:

(a) The continuation of such outstanding Awards by the Company (if the Company is the successor entity).

(b) The assumption of outstanding Awards by the successor or acquiring entity (if any) in such Acquisition or Other Combination (or by any of its Parents, if any), which assumption, will be binding on all Participants; provided that the exercise price and the number and nature of shares issuable upon exercise of any such option or stock appreciation right, or any award that is subject to Section 409A of the Code, will be adjusted appropriately pursuant to Section 424(a) and Section 409A of the Code. For the purposes of this Section 11, an Award will be considered assumed if, following the Acquisition or Other Combination, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Acquisition or Other Combination, the consideration (whether stock, cash, or other securities or property) received in the Acquisition or Other Combination by holders of Shares for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Acquisition or Other Combination is not solely ordinary shares of the successor corporation or its Parent, the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, for each Share subject to such Award, to be solely ordinary shares of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Ordinary Shares in the Acquisition or Other Combination.

(c) The substitution by the successor or acquiring entity in such Acquisition or Other Combination (or by any of its Parents, if any) of equivalent awards with substantially the same terms for such outstanding Awards (except that the exercise price and the number and nature of shares issuable upon exercise of any such option or stock appreciation right, or any award that is subject to Section 409A of the Code, will be adjusted appropriately pursuant to Section 424(a) and Section 409A of the Code).

(d) The full or partial exercisability or vesting and accelerated expiration of outstanding Awards.

(e) The settlement of the full value of such outstanding Award (whether or not then vested or exercisable) in cash, cash equivalents, or securities of the successor entity (or its Parent, if any) with a Fair Market Value equal to the required amount, followed by the cancellation of such Awards; provided however, that such Award may be cancelled without consideration if such Award has no value, as determined by the Committee, in its discretion. Subject to Section 409A of the Code, such payment may be made in installments and may be deferred until the date or dates when the Award would have become exercisable or vested. Such payment may be subject to vesting based on the Participant's continued service, provided that without the Participant's consent, the vesting schedule shall not be less favorable to the Participant than the schedule under which the Award would have become vested or exercisable. For purposes of this Section 11.1(e), the Fair Market Value of any security shall be determined without regard to any vesting conditions that may apply to such security.

(f) The cancellation of outstanding Awards in exchange for no consideration.

Immediately following an Acquisition or Other Combination, outstanding Awards shall terminate and cease to be outstanding, except to the extent such Awards, have been continued, assumed or substituted, as described in Sections 11.1(a), (b) and/or (c).

11.2 Assumption of Awards by the Company. The Company, from time to time, also may substitute or assume outstanding awards granted by another entity, whether in connection with an acquisition of such other entity or otherwise, by either (a) granting an Award under this Plan in substitution of such other entity's award or (b) assuming and/or converting such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other entity had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another entity, the terms and conditions of such award will remain unchanged (except that the exercise price and the number and nature of shares issuable upon exercise of any such option or stock appreciation right, or any award that is subject to Section 409A of the Code, will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option or SAR rather than assuming an existing option or stock appreciation right, such new Option or SAR may be granted with a similarly adjusted Exercise Price.

12. ADMINISTRATION.

12.1 Committee Authority. This Plan will be administered by the Committee or the Board if no Committee is created by the Board. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan. Without limitation, the Committee will have the authority to:

(a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;

(b) prescribe, amend, expand, modify and rescind or terminate rules and regulations relating to this Plan;

(c) approve persons to receive Awards;

(d) determine the form and terms of Awards;

(e) determine the number of Shares or other consideration subject to Awards granted under this Plan;

(f) determine the Fair Market Value in good faith and interpret the applicable provisions of this Plan and the definition of Fair Market Value in connection with circumstances that impact the Fair Market Value, if necessary;

(g) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or awards under any other incentive or compensation plan of the Company or any Parent or Subsidiary of the Company;

(h) grant waivers of any conditions of this Plan or any Award;

(i) determine the terms of vesting, exercisability and payment of Awards to be granted pursuant to this Plan;

(j) correct any defect, supply any omission, or reconcile any inconsistency in this Plan, any Award, any Award Agreement, any Exercise Agreement or any Restricted Share Purchase Agreement;

(k) determine whether an Award has been earned;

(l) extend the vesting period beyond a Participant's Termination Date;

(m) adopt rules and/or procedures (including the adoption of any subplan under this Plan) relating to the operation and administration of the Plan to accommodate requirements of local law and procedures outside of the United States;

(n) delegate any of the foregoing to a subcommittee consisting of one or more executive officers pursuant to a specific delegation as may otherwise be permitted by applicable law;

(o) change the vesting schedule of Awards under the Plan prospectively in the event that the Participant's service status changes between full and part time status in accordance with Company policies relating to work schedules and vesting of awards; and

(p) make all other determinations necessary or advisable in connection with the administration of this Plan.

12.2 Committee Composition and Discretion. The Board may delegate full administrative authority over the Plan and Awards to a Committee consisting of at least one member of the Board (or such greater number as may then be required by applicable law). Unless in contravention of any express terms of this Plan or Award, any determination made by the Committee with respect to any Award will be made in its sole discretion either (a) at the time of grant of the Award, or (b) subject to Section 4.9 hereof, at any later time. Any such determination will be final and binding on the Company and on all persons having an interest in any Award under this Plan. To the extent permitted by applicable law, the Committee may delegate to one or more officers of the Company the authority to grant an Award under this Plan, *provided* that each such officer is a member of the Board.

12.3 Nonexclusivity of the Plan. Neither the adoption of this Plan by the Board, the submission of this Plan to the shareholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options and other equity awards otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

12.4 Governing Law. This Plan and all agreements hereunder shall be governed by and construed in accordance with the laws of the State of California, without giving effect to that body of laws pertaining to conflict of laws.

13. EFFECTIVENESS, AMENDMENT AND TERMINATION OF THE PLAN.

13.1 Adoption and Shareholder Approval. This Plan will become effective on the date that it is adopted by the Board (the "***Effective Date***"). This Plan will be approved by the shareholders of the Company (excluding Shares issued pursuant to this Plan), consistent with applicable laws, within twelve (12) months before or after the Effective Date. Upon the Effective Date, the Board may grant Awards pursuant to this Plan; *provided*, *however*, that: (a) no Option or SAR may be exercised

prior to initial shareholder approval of this Plan; (b) no Option or SAR granted pursuant to an increase in the number of Shares approved by the Board shall be exercised prior to the time such increase has been approved by the shareholders of the Company; (c) in the event that initial shareholder approval is not obtained within the time period provided herein, all Awards for which only the exemption from California's securities qualification requirements provided by Section 25102(o) can apply shall be canceled, any Shares issued pursuant to any such Award shall be canceled and any purchase of such Shares issued hereunder shall be rescinded; and (d) Awards (to which only the exemption from California's securities qualification requirements provided by Section 25102(o) can apply) granted pursuant to an increase in the number of Shares approved by the Board which increase is not approved by shareholders within the time then required under Section 25102(o) shall be canceled, any Shares issued pursuant to any such Awards shall be canceled, and any purchase of Shares subject to any such Award shall be rescinded.

13.2 Term of Plan. Unless earlier terminated as provided herein, this Plan will automatically terminate ten (10) years after the later of (i) the Effective Date, or (ii) the most recent increase in the number of Shares reserved under Section 2 that was approved by shareholders.

13.3 Amendment or Termination of Plan. Subject to Section 4.9 hereof, the Board may at any time (a) terminate or amend this Plan in any respect, including without limitation amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan and (b) terminate any and all outstanding Options, SARs or RSUs upon a dissolution or liquidation of the Company, followed by the payment of creditors and the distribution of any remaining funds to the Company's shareholders; *provided*, *however*, that the Board will not, without the approval of the shareholders of the Company, amend this Plan in any manner that requires such shareholder approval pursuant to Section 25102(o) or pursuant to the Code or the regulations promulgated under the Code as such provisions apply to ISO plans. The termination of the Plan, or any amendment thereof, shall not affect any Share previously issued or any Award previously granted under the Plan.

14. DEFINITIONS. For all purposes of this Plan, the following terms will have the following meanings.

"***Acquisition***," for purposes of Section 11, means:

(a) any consolidation or merger in which the Company is a constituent entity or is a party in which the voting shares and other voting securities of the Company that are outstanding immediately prior to the consummation of such consolidation or merger represent, or are converted into, securities of the surviving entity of such consolidation or merger (or of any Parent of such surviving entity) that, immediately after the consummation of such consolidation or merger, together possess less than fifty percent (50%) of the total voting power of all voting securities of such surviving entity (or of any of its Parents, if any) that are outstanding immediately after the consummation of such consolidation or merger;

(b) a sale or other transfer by the holders thereof of outstanding voting shares and/or other voting securities of the Company possessing more than fifty percent (50%) of the total voting power of all outstanding voting securities of the Company, whether in one transaction or in a series of related transactions, pursuant to an agreement or agreements to which the Company is a party and that has been approved by the Board, and pursuant to which such outstanding voting securities are sold or transferred to a single person or entity, to one or more persons or entities who are Affiliates of each other, or to one or more persons or entities acting in concert; or

(c) the sale, lease, transfer or other disposition, in a single transaction or series of related transactions, by the Company and/or any Subsidiary or Subsidiaries of the Company, of all or substantially all the assets of the Company and its Subsidiaries taken as a whole, (or, if substantially all of the assets of the Company and its Subsidiaries taken as a whole are held by one or more Subsidiaries, the sale or disposition (whether by consolidation, merger, conversion or otherwise) of such Subsidiaries of the Company), except where such sale, lease, transfer or other disposition is made to the Company or one or more wholly owned Subsidiaries of the Company (an "***Acquisition by Sale of Assets***").

"***Affiliate***" of a specified person means a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified (where, for purposes of this definition, the term "***control***" (including the terms ***controlling***, ***controlled by*** and ***under common control with***) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

"***Award***" means any award pursuant to the terms and conditions of this Plan, including any Option, Restricted Stock Unit, Stock Appreciation Right or Restricted Stock Award.

"***Award Agreement***" means, with respect to each Award, the signed written or electronic agreement between the Company and the Participant setting forth the terms and conditions of the Award as approved by the Committee. For purposes of the Plan, the Award Agreement may be executed via written or electronic means.

"***Board***" means the Board of Directors of the Company.

"***Cause***" means Termination because of (a) Participant's unauthorized misuse of the Company or a Parent or Subsidiary of the Company's trade secrets or proprietary information, (b) Participant's conviction of or plea of nolo contendere to a felony or a crime involving moral turpitude, (c) Participant's committing an act of fraud against the Company or a Parent or Subsidiary of the Company or (d) Participant's gross negligence or willful misconduct in the performance of his or her duties that has had or will have a material adverse effect on the Company or Parent or Subsidiary of the Company' reputation or business.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Committee***" means the committee created and appointed by the Board to administer this Plan, or if no committee is created and appointed, the Board.

"***Company***" means Terns Pharmaceuticals, Inc., a Delaware corporation, or any successor entity thereto.

"***Disability***" means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

"***Exercise Price***" means the price per Share at which a holder of an Option may purchase Shares issuable upon exercise of the Option.

"***Fair Market Value***" means, as of any date, the value of a share of the Company's Ordinary Shares determined as follows:

(a) if such Ordinary Shares is then publicly traded on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Ordinary Shares is listed or admitted to trading as reported in The Wall Street Journal;

(b) if such Ordinary Shares is publicly traded but is not listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported by The Wall Street Journal (or, if not so reported, as otherwise reported by any newspaper or other source as the Committee may determine); or

(c) if none of the foregoing is applicable to the valuation in question, by the Committee in good faith.

"***Option***" means an award of an option to purchase Shares pursuant to Section 4 of this Plan.

"***Other Combination***" for purposes of Section 11 means any (a) consolidation or merger in which the Company is a constituent entity and is not the surviving entity of such consolidation or merger or (b) any conversion of the Company into another form of entity; *provided* that such consolidation, merger or conversion does not constitute an Acquisition.

"***Parent***" of a specified entity means, any entity that, either directly or indirectly, owns or controls such specified entity, where for this purpose, "***control***" means the ownership of stock, securities or other interests that possess at least a majority of the voting power of such specified entity (including indirect ownership or control of such stock, securities or other interests).

"***Participant***" means a person who receives an Award under this Plan.

"***Plan***" means this 2017 Equity Incentive Plan, as amended from time to time.

"***Purchase Price***" means the price at which a Participant may purchase Restricted Shares pursuant to this Plan.

"***Restricted Shares***" means Shares purchased pursuant to a Restricted Stock Award under this Plan.

"***Restricted Stock Award***" means an award of Shares pursuant to Section 5 hereof.

"***Restricted Stock Unit***" or "***RSU***" means an award made pursuant to Section 6 hereof.

"***Rule 701***" means Rule 701 *et seq.* promulgated by the Commission under the Securities Act.

"***SEC***" means the Securities and Exchange Commission.

"***Section 25102(o)***" means Section 25102(o) of the California Corporations Code.

"***Securities Act***" means the Securities Act of 1933, as amended.

"***Shares***" means shares of the Company's Ordinary Shares, $0.0001 par value per share, reserved for issuance under this Plan, as adjusted pursuant to Sections 2.2 and 11 hereof, and any successor security.

"***Stock Appreciation Right***" or "***SAR***" means an award granted pursuant to Section 7 hereof.

"***Subsidiary***" means any entity (other than the Company) in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain owns stock or other equity securities representing fifty percent (50%) or more of the total combined voting power of all classes of stock or other equity securities in one of the other entities in such chain.

"***Termination***" or "***Terminated***" means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, officer, director or consultant to the Company or a Parent or Subsidiary of the Company. A Participant will not be deemed to have ceased to provide services while the Participant is on a bona fide leave of absence, if such leave was approved by the Company in writing. In the case of an approved leave of absence, the Committee may make such provisions respecting crediting of service, including suspension of vesting of the Award (including pursuant to a formal policy adopted from time to time by the Company) it may deem appropriate, except that in no event may an Option be exercised after the expiration of the term set forth in the Stock Option Agreement. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "***Termination Date***").

"***Unvested Shares***" means "***Unvested Shares***" as defined in the Award Agreement for an Award.

"***Vested Shares***" means "***Vested Shares***" as defined in the Award Agreement.

* * * * * * * * * * *

Exhibit 10.4(b)
OPTION GRANT NO. ____

NOTICE OF STOCK OPTION GRANT

TERNS PHARMACEUTICALS, INC.

2017 EQUITY INCENTIVE PLAN

The Optionee named below ("***Optionee***") has been granted an option (this "***Option***") to purchase Ordinary Shares, $0.0001 par value per share (the "***Ordinary Shares***"), of Terns Pharmaceuticals, Inc., an exempted company incorporated with limited liability in the Cayman Islands (the "***Company***"), pursuant to the Company's 2017 Equity Incentive Plan, as amended from time to time (the "***Plan***") on the terms, and subject to the conditions, described below and in the Stock Option Agreement attached hereto as **Exhibit A**, including its annexes (the "***Stock Option Agreement***").

Optionee:	
Maximum Number of Shares Subject to this Option (the "*Shares*"):	
Exercise Price Per Share:	$_____ per share
Date of Grant:	
Vesting Start Date:	
Exercise Schedule:	This Option will become exercisable during its term with respect to portions of the Shares in accordance with the Vesting Schedule set forth below.
Expiration Date:	The date ten (10) years after the Date of Grant set forth above, subject to earlier expiration in the event of Termination as provided in Section 3 of the Stock Option Agreement.
Tax Status of Option: (Check *Only* One Box):	☐ Incentive Stock Option (*To the fullest extent permitted by the Code*) ☐ Nonqualified Stock Option. (*If neither box is checked, this Option is a Nonqualified Stock Option*).

Vesting Schedule [EXAMPLE ONLY]: For so long as Optionee continuously provides services to the Company (or any Subsidiary or Parent of the Company) as an employee, officer, director, contractor or consultant, this Option will vest (that is, become exercisable) with respect to the Shares as follows: (a) prior to the first one (1) year anniversary of the Vesting Start Date this Option will not be vested or exercisable as to any of the Shares; (b) this Option will become vested and exercisable with respect to [**1/4th**] of the Shares on the one (1) year anniversary of the Vesting Start Date; and (c) thereafter, this Option will become vested and exercisable with respect to an additional [**1/48th**] of the Shares when Optionee completes each month of continuous service following the first one (1) year anniversary of the Vesting Start Date.

General; Agreement: By their signatures below, Optionee and the Company agree that this Option is granted under and governed by this Notice of Stock Option Grant (this "***Grant Notice***") and by the provisions of the Plan and the Stock Option Agreement. The Plan and the Stock Option Agreement are incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings given to them in the Plan or in the Stock Option Agreement, as applicable. By signing below, Optionee acknowledges receipt of a copy of this Grant Notice, the Plan and the Stock Option Agreement, represents that Optionee has carefully read and is familiar with their provisions, and hereby accepts the Option subject to all of their respective terms and conditions. Optionee acknowledges that there may be adverse tax consequences upon exercise of the Option or disposition of the Shares and that Optionee should consult a tax adviser prior to such exercise or disposition. Optionee agrees and acknowledges that the Vesting Schedule may change prospectively in the event that Optionee's service status changes between full and part time status in accordance with Company policies relating to work schedules and vesting of equity awards.

Execution and Delivery: This Grant Notice may be executed and delivered electronically whether via the Company's intranet or the Internet site of a third party or via email or any other means of electronic delivery specified by the Company. By Optionee's acceptance hereof (whether written, electronic or otherwise), Optionee agrees, to the fullest extent permitted by law, that in lieu of receiving documents in paper format, Optionee accepts the electronic delivery of any documents that the Company (or any third party the Company may designate), may deliver in connection with this grant (including the Plan, this Grant Notice, the Stock Option Agreement, the information described in Rules 701(e)(2), (3), (4) and (5) under the Securities Act (the "***701 Disclosures***"), account statements, or other communications or information) whether via the Company's intranet or the Internet site of such third party or via email or such other means of electronic delivery specified by the Company.

TERNS PHARMACEUTICALS, INC.

By /Signature: _____

Typed Name: _____

Title: _____

Optionee Signature: _____

Optionee's Name: _____

ATTACHMENT: Exhibit A – Stock Option Agreement

Exhibit A

Stock Option Agreement

EXHIBIT A

STOCK OPTION AGREEMENT

TERNS PHARMACEUTICALS, INC.

2017 EQUITY INCENTIVE PLAN

This Stock Option Agreement (this "***Agreement***") is made and entered into as of the date of grant (the "***Date of Grant***") set forth on the Notice of Stock Option Grant attached as the facing page to this Agreement (the "***Grant Notice***") by and between Terns Pharmaceuticals, Inc., an exempted company incorporated with limited liability in the Cayman Islands (the "***Company***"), and the optionee named on the Grant Notice ("***Optionee***"). Capitalized terms not defined in this Agreement shall have the meaning ascribed to them in the Company's 2017 Equity Incentive Plan, as amended from time to time (the "***Plan***"), or in the Grant Notice, as applicable.

1. GRANT OF OPTION. The Company hereby grants to Optionee an option (this "***Option***") to purchase up to the total number of Ordinary Shares of the Company, $0.0001 par value per share (the "***Ordinary Shares***"), set forth in the Grant Notice as the Shares (the "***Shares***") at the Exercise Price Per Share set forth in the Grant Notice (the "***Exercise Price***"), subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan. If designated as an Incentive Stock Option in the Grant Notice, this Option is intended to qualify as an incentive stock option (the "***ISO***") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "***Code***"), except that if on the Date of Grant Optionee is not subject to U.S. income tax, then this Option shall be a NQSO.

2. EXERCISE PERIOD.

2.1 Exercise Period of Option. This Option is considered to be "vested" with respect to any particular Shares when this Option is exercisable with respect to such Shares. This Option will become vested during its term as to portions of the Shares in accordance with the Vesting Schedule set forth in the Grant Notice. Notwithstanding any provision in the Plan or this Agreement to the contrary, on or after Optionee's Termination Date, this Option may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date.

2.2 Vesting of Option Shares. Shares with respect to which this Option is vested and exercisable at a given time pursuant to the Vesting Schedule set forth in the Grant Notice are "***Vested Shares***." Shares with respect to which this Option is not vested and exercisable at a given time pursuant to the Vesting Schedule set forth in the Grant Notice are "***Unvested Shares***."

2.3 Expiration. The Option shall expire on the Expiration Date set forth in the Grant Notice or earlier as provided in Section 3 below.

3. TERMINATION.

3.1 Termination for Any Reason Except Death, Disability or Cause. Except as provided in subsection 3.2 in a case in which Optionee dies within three (3) months after Optionee is Terminated other than for Cause, if Optionee is Terminated for any reason (other than Optionee's death or Disability or for Cause), then (a) on and after Optionee's Termination Date, this Option shall expire immediately with respect to any Shares that are Unvested Shares and may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date and (b) this Option to the extent (and only to the extent) that it is exercisable with respect to Vested Shares on Optionee's Termination Date, may be exercised by Optionee no later than three (3) months after Optionee's Termination Date (but in no event may this Option be exercised after the Expiration Date).

3.2 Termination Because of Death or Disability. If Optionee is Terminated because of Optionee's death or Disability (or if Optionee dies within three (3) months of the date of Optionee's Termination for any reason other than for Cause), then (a) on and after Optionee's Termination Date, this Option shall expire immediately with respect to any Shares that are Unvested Shares and may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date and (b) this Option, to the extent (and only to the extent) that it is exercisable with respect to Vested Shares on Optionee's Termination Date, may be exercised by Optionee (or Optionee's legal representative) no later than twelve (12) months after Optionee's Termination Date, but in no event later than the Expiration Date. Any exercise of this Option beyond (i) three (3) months after the date Optionee ceases to be an employee when Optionee's Termination is for any reason other than Optionee's death or disability, within the meaning of Section 22(e)(3) of the Code; or (ii) twelve (12) months after the date Optionee ceases to be an employee when the termination is for Optionee's disability, within the meaning of Section 22(e)(3) of the Code, is deemed to be an NQSO.

3.3 Termination for Cause. If Optionee is Terminated for Cause, then Optionee may exercise this Option, but only with respect to any Shares that are Vested Shares on Optionee's Termination Date, and this Option shall expire on Optionee's Termination Date, or at such later time and on such conditions as may be affirmatively determined by the Committee. On and after Optionee's Termination Date, this Option shall expire immediately with respect to any Shares that are Unvested Shares and may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date.

3.4 No Obligation to Employ. Nothing in the Plan or this Agreement shall confer on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent or Subsidiary of the Company, or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Optionee's employment or other relationship at any time, with or without Cause.

4. MANNER OF EXERCISE.

4.1 Stock Option Exercise Notice and Agreement. To exercise this Option, Optionee (or in the case of exercise after Optionee's death or incapacity, Optionee's executor, administrator, heir or legatee, as the case may be) must deliver to the Company an executed Stock Option Exercise Notice and Agreement in the form attached hereto as **Annex A**, or in such other form as may be approved by the Committee from time to time (the "***Exercise Agreement***") and payment for the shares being purchased in accordance with this Agreement. The Exercise Agreement shall set forth, among other things, (i) Optionee's election to exercise this Option, (ii) the number of Shares being purchased, (iii) any representations, warranties and agreements regarding Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws in connection with any exercise of this Option and (iv) any other agreements required by the Company. If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise this Option and such person shall be subject to all of the restrictions contained herein as if such person were Optionee.

4.2 Limitations on Exercise. This Option may not be exercised unless such exercise is in compliance with all applicable federal and state securities laws, as they are in effect on the date of exercise.

4.3 Payment. The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the shares being purchased in cash (by check or wire transfer), or where permitted by law:

(a) by cancellation of indebtedness of the Company owed to Optionee;

(b) by surrender of shares of the Company that are free and clear of all security interests, pledges, liens, claims or encumbrances and: (i) for which the Company has received "full payment of the purchase price" within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or (ii) that were obtained by Optionee in the public market;

(c) by participating in a formal cashless exercise program implemented by the Committee in connection with the Plan;

(d) provided that a public market for the Ordinary Shares exists and subject to compliance with applicable law, by exercising as set forth below, through a "same day sale" commitment from Optionee and a broker-dealer whereby Optionee irrevocably elects to exercise this Option and to sell a portion of the Shares so purchased sufficient to pay the total Exercise Price, and whereby the broker-dealer irrevocably commits upon receipt of such Shares to forward the total Exercise Price directly to the Company; or

(e) by any combination of the foregoing or any other method of payment approved by the Committee that constitutes legal consideration for the issuance of Shares.

4.4 Tax Withholding. Prior to the issuance of the Shares upon exercise of the Option, Optionee must pay or provide for any applicable federal, state and local withholding obligations of the Company. If the Committee permits, Optionee may provide for payment of withholding taxes upon exercise of the Option by requesting that the Company retain the minimum number of Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld; or to arrange a mandatory "sell to cover" on Participant's behalf (without further authorization); but in no event will the Company withhold Shares or "sell to cover" if such withholding would result in adverse accounting consequences to the Company. In case of stock withholding or a sell to cover, the Company shall issue the net number of Shares to Optionee by deducting the Shares retained from the Shares issuable upon exercise.

4.5 Issuance of Shares. Provided that the Exercise Agreement and payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Shares issuable upon a valid exercise of this Option registered in the name of Optionee, Optionee's authorized assignee, or Optionee's legal representative, and shall deliver certificates representing the Shares with the appropriate legends affixed thereto.

5. COMPLIANCE WITH LAWS AND REGULATIONS. The Plan and this Agreement are intended to comply with Section 25102(o) and Rule 701. Any provision of this Agreement that is inconsistent with Section 25102(o) or Rule 701 shall, without further act or amendment by the Company or the Committee, be reformed to comply with the requirements of Section 25102(o) and/or Rule 701. The exercise of this Option and the issuance and transfer of Shares shall be subject to compliance by the Company and Optionee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Ordinary Shares may be listed at the time of such issuance or transfer. Optionee understands that the Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

6. NONTRANSFERABILITY OF OPTION. This Option may not be transferred in any manner other than by will or by the laws of descent and distribution, and, with respect to NQSOs, by instrument to a testamentary trust in which the options are to be passed to beneficiaries upon the death of the trustor (settlor) or a revocable trust, or by gift to "immediate family" as that term is defined in 17 C.F.R. 240.16a-1(e), and may be exercised during the lifetime of Optionee only by Optionee or in the event of Optionee's incapacity, by Optionee's legal representative. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

7. RESTRICTIONS ON TRANSFER.

7.1 Disposition of Shares. Optionee hereby agrees that Optionee shall make no disposition of any of the Shares (other than as permitted by this Agreement) unless and until:

(a) Optionee shall have notified the Company of the proposed disposition and provided a written summary of the terms and conditions of the proposed disposition;

(b) Optionee shall have complied with all requirements of this Agreement applicable to the disposition of the Shares;

(c) Optionee shall have provided the Company with written assurances, in form and substance satisfactory to counsel for the Company, that (i) the proposed disposition does not require registration of the Shares under the Securities Act or under any applicable state securities laws or (ii) all appropriate actions necessary for compliance with the registration requirements of the Securities Act or of any exemption from registration available under the Securities Act (including Rule 144) or applicable state securities laws have been taken; and

(d) Optionee shall have provided the Company with written assurances, in form and substance satisfactory to the Company, that the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Shares pursuant to the provisions of the regulations promulgated under Section 25102(o), Rule 701 or under any other applicable securities laws or adversely affect the Company's ability to rely on the exemption(s) from registration under the Securities Act or under any other applicable securities laws for the grant of the Option, the issuance of Shares thereunder or any other issuance of securities under the Plan.

7.2 Restriction on Transfer. Optionee shall not transfer, assign, grant a lien or security interest in, pledge, hypothecate, encumber or otherwise dispose of any of the Shares which are subject to the Company's Right of First Refusal described below, except as permitted by this Agreement.

7.3 Transferee Obligations. Each person (other than the Company) to whom the Shares are transferred by means of one of the permitted transfers specified in this Agreement must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that such person is bound by the provisions of this Agreement and that the transferred Shares are subject to (i) the Company's Right of First Refusal granted hereunder and (ii) the market stand-off provisions of Section 8 below, to the same extent such Shares would be so subject if retained by Optionee.

8. MARKET STANDOFF AGREEMENT. Optionee agrees that, subject to any early release provisions that apply pro rata to shareholders of the Company according to their holdings of Ordinary Shares (determined on an as-converted into Ordinary Shares basis), Optionee will not, for a period of up to one hundred eighty (180) days (plus up to an additional thirty five (35) days to the extent reasonably requested by the Company or such underwriter(s) to accommodate regulatory restrictions on the publication or other distribution of research reports or earnings releases by the Company, including NASD and NYSE rules) following the effective date of the registration statement filed with the SEC relating to the initial underwritten sale of Ordinary Shares of the Company to the public under the Securities Act (the "***IPO***"), directly or indirectly sell, offer to sell, grant any option for the sale of, or otherwise dispose of any Ordinary Shares or securities convertible into Ordinary Shares, except for: (i) transfers of Shares permitted under Section 9.6 hereof so long as such transferee furnishes to the Company and the managing underwriter their written consent to be bound by this Section 8 as a condition precedent to such transfer; and (ii) sales of any securities to be included in the registration statement for the IPO. For the avoidance of doubt, the provisions of this Section shall only apply to the IPO. The restricted period shall in any event terminate two (2) years after the closing date of the IPO. In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the Shares subject to this Section and to impose stop transfer instructions with

respect to the Shares until the end of such period. Optionee further agrees to enter into any agreement reasonably required by the underwriters to implement the foregoing restrictions on transfer. For the avoidance of doubt, the foregoing provisions of this Section shall not apply to any registration of securities of the Company (a) under an employee benefit plan or (b) in a merger, consolidation, business combination or similar transaction.

9. COMPANY'S RIGHT OF FIRST REFUSAL. Before any Shares held by Optionee or any transferee of such Shares (either sometimes referred to herein as the "***Holder"***) may be sold or otherwise transferred (including, without limitation, a transfer by gift or operation of law), the Company and/or its assignee(s) will have a right of first refusal to purchase the Shares to be sold or transferred (the "***Offered Shares"***) on the terms and conditions set forth in this Section (the "***Right of First Refusal"***).

9.1 Notice of Proposed Transfer. The Holder of the Offered Shares will deliver to the Company a written notice (the "***Notice"***) stating: (i) the Holder's bona fide intention to sell or otherwise transfer the Offered Shares; (ii) the name and address of each proposed purchaser or other transferee (the "***Proposed Transferee"***); (iii) the number of Offered Shares to be transferred to each Proposed Transferee; (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Offered Shares (the "***Offered Price"***); and (v) that the Holder acknowledges this Notice is an offer to sell the Offered Shares to the Company and/or its assignee(s) pursuant to the Company's Right of First Refusal at the Offered Price as provided for in this Agreement.

9.2 Exercise of Right of First Refusal. At any time within thirty (30) days after the date of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all (or, with the consent of the Holder, less than all) the Offered Shares proposed to be transferred to any one or more of the Proposed Transferees named in the Notice, at the purchase price, determined as specified below.

9.3 Purchase Price. The purchase price for the Offered Shares purchased under this Section will be the Offered Price, *provided* that if the Offered Price consists of no legal consideration (as, for example, in the case of a transfer by gift) then the purchase price will be the fair market value of the Offered Shares as determined in good faith by the Committee. If the Offered Price includes consideration other than cash, then the value of the non-cash consideration, as determined in good faith by the Committee, will conclusively be deemed to be the cash equivalent value of such non-cash consideration.

9.4 Payment. Payment of the purchase price for the Offered Shares will be payable, at the option of the Company and/or its assignee(s) (as applicable), by check or by cancellation of all or a portion of any outstanding purchase money indebtedness owed by the Holder to the Company (or to such assignee, in the case of a purchase of Offered Shares by such assignee) or by any combination thereof. The purchase price will be paid without interest within sixty (60) days after the Company's receipt of the Notice, or, at the option of the Company and/or its assignee(s), in the manner and at the time(s) set forth in the Notice.

9.5 Holder's Right to Transfer. If all of the Offered Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Offered Shares to each Proposed Transferee at the Offered Price or at a higher price, *provided* that (i) such sale or other transfer is consummated within ninety (90) days after the date of the Notice, (ii) any such sale or other transfer is effected in compliance with all applicable securities laws, and (iii) each Proposed Transferee agrees in writing that the provisions of this Section will continue to apply to the Offered Shares in the hands of such Proposed Transferee. If the Offered Shares described in the Notice are not transferred to each Proposed Transferee within such ninety (90) day period, then a new Notice must be given to the Company pursuant to which the Company will again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

9.6 Exempt Transfers. Notwithstanding anything to the contrary in this Section, the following transfers of Shares will be exempt from the Right of First Refusal: (i) the transfer of any or all of the Shares during Optionee's lifetime by gift or on Optionee's death by will or intestacy to any member(s) of Optionee's "Immediate Family" (as defined below) or to a trust for the benefit of Optionee and/or member(s) of Optionee's Immediate Family, *provided* that each transferee or other recipient agrees in a writing satisfactory to the Company that the provisions of this Section will continue to apply to the transferred Shares in the hands of such transferee or other recipient; (ii) any transfer of Shares made pursuant to a statutory merger, statutory consolidation of the Company with or into another corporation or corporations or a conversion of the Company into another form of legal entity (except that the Right of First Refusal will continue to apply thereafter to such Shares, in which case the surviving corporation of such merger or consolidation or the resulting entity of such conversion shall succeed to the rights of the Company under this Section unless the agreement of merger or consolidation or conversion expressly otherwise provides); or (iii) any transfer of Shares pursuant to the winding up and dissolution of the Company. As used herein, the term "***Immediate Family"*** will mean Optionee's spouse, the lineal descendant or antecedent, father, mother, brother or sister, child, adopted child, grandchild or adopted grandchild of Optionee or Optionee's spouse, or the spouse of any of the above or Spousal Equivalent, as defined herein. As used herein, a person is deemed to be a "***Spousal Equivalent"*** provided the following circumstances are true: (i) irrespective of whether or not Optionee and the Spousal Equivalent are the same sex, they are the sole spousal equivalent of the other for the last twelve (12) months, (ii) they intend to remain so indefinitely, (iii) neither are married to anyone else, (iv) both are at least 18 years of age and mentally competent to consent to contract, (v) they are not related by blood to a degree of closeness that which would prohibit legal marriage in the state in which they legally reside, (vi) they are jointly responsible for each other's common welfare and financial obligations, and (vii) they reside together in the same residence for the last twelve (12) months and intend to do so indefinitely.

9.7 Termination of Right of First Refusal. The Right of First Refusal will terminate as to all Shares: (i) on the effective date of the first sale of Ordinary Shares of the Company to the general public pursuant to a registration statement filed with and declared effective by the SEC under the Securities Act (other than a registration statement relating solely to the issuance of Ordinary Shares pursuant to a business combination or an employee incentive or benefit plan); (ii) on any transfer or conversion of Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations if the ordinary shares of the surviving corporation or any direct or indirect parent corporation thereof is registered under the Exchange Act; or (iii) on any transfer or conversion of Shares made pursuant to a statutory conversion of the Company into another form of legal entity if the common equity (or comparable equity security) of entity resulting from such conversion is registered under the Exchange Act.

9.8 Encumbrances on Shares. Optionee may grant a lien or security interest in, or pledge, hypothecate or encumber Shares only if each party to whom such lien or security interest is granted, or to whom such pledge, hypothecation or other encumbrance is made, agrees in a writing satisfactory to the Company that: (i) such lien, security interest, pledge, hypothecation or encumbrance will not adversely affect or impair the Right of First Refusal or the rights of the Company and/or its assignee(s) with respect thereto and will not apply to such Shares after they are acquired by the Company and/or its assignees under this Section; and (ii) the provisions of this Agreement will continue to apply to such Shares in the hands of such party and any transferee of such party.

9.9 Effect of Company Co-Sale Agreement. If Optionee is, or at any time hereafter becomes, a party to or otherwise bound by (i) the Company's Right of First Refusal and Co-Sale Agreement dated as of April 7, 2017 among the Company and certain shareholders of the Company, as such may be amended and/or restated from time to time, and/or (ii) any other agreement that is a successor to or replacement of such agreement (collectively, the "***Company Co-Sale Agreement***"), then, in the event of any conflict or inconsistency between the provisions of Section 8 hereof and/or this Section 9 and any provisions in the Company Co-Sale Agreement granting the Company and/or other

security holders of the Company rights of first refusal and/or co-sale rights with respect to any or all of the Shares or imposing market stand-off restrictions, Optionee agrees with the Company that the terms and conditions of the Company Co-Sale Agreement shall apply, govern, supersede and prevail over (and in lieu of) the provisions of Section 8 hereof and/or of this Section 9 (as applicable) so long as the Company Co-Sale Agreement is in effect and Optionee is a party to or bound thereby. If the Company Co-Sale Agreement is no longer in effect or if Optionee is not a party to or bound thereby, then the provisions of this Section 9 shall apply in full force and effect until termination of the Right of First Refusal and the provisions of Section 8 hereof shall apply in full force and effect in accordance with its terms.

10. RIGHTS AS A SHAREHOLDER. Optionee shall not have any of the rights of a shareholder with respect to any Shares unless and until such Shares are issued to Optionee. Subject to the terms and conditions of this Agreement, Optionee will have all of the rights of a shareholder of the Company with respect to the Shares from and after the date that Shares are issued to Optionee pursuant to, and in accordance with, the terms of the Exercise Agreement until such time as Optionee disposes of the Shares or the Company and/or its assignee(s) exercise(s) the Right of First Refusal. Upon an exercise of the Right of First Refusal, Optionee will have no further rights as a holder of the Shares so purchased upon such exercise, other than the right to receive payment for the Shares so purchased in accordance with the provisions of this Agreement, and Optionee will promptly surrender the share certificate(s) evidencing the Shares so purchased to the Company for transfer or cancellation.

11. ESCROW. As security for Optionee's faithful performance of this Agreement, Optionee agrees, immediately upon receipt of the share certificate(s) evidencing the Shares, to deliver such certificate(s) to the Secretary of the Company or other designee of the Company (the "***Escrow Holder***"), who is hereby appointed to hold such certificate(s) in escrow and to take all such actions and to effectuate all such transfers and/or releases of such Shares as are in accordance with the terms of this Agreement. Optionee and the Company agree that Escrow Holder will not be liable to any party to this Agreement (or to any other party) for any actions or omissions unless Escrow Holder is grossly negligent or intentionally fraudulent in carrying out the duties of Escrow Holder under this Agreement. Escrow Holder may rely upon any letter, notice or other document executed with any signature purported to be genuine and may rely on the advice of counsel and obey any order of any court with respect to the transactions contemplated by this Agreement and will not be liable for any act or omission taken by Escrow Holder in good faith reliance on such documents, the advice of counsel or a court order. The Shares will be released from escrow upon termination of the Right of First Refusal.

12. Company Co-Sale Agreement and Voting Agreement. As a material inducement and consideration for the Company to enter into this Agreement, Optionee hereby agrees that if, the Company requests Optionee to enter into and become a party to (a) the Company Co-Sale Agreement (and to subject the Shares to the rights of first refusal held by the Company and other Company investors thereunder and the co-sale rights of other investors thereunder and pursuant to which Optionee would agree to vote all Company shares held by Optionee in favor of certain material transactions, such as mergers or sales of the Company) and/or (b) the Company Voting Agreement (pursuant to which Optionee would agree to vote all Company shares held by Optionee for the election of directors), then Optionee will enter into such agreements and execute and deliver signature pages thereto (as requested by the Company) in such capacities as the Company requests, at the time of exercising this Option and as a condition to such exercise or at any later time.

13. RESTRICTIVE LEGENDS AND STOP-TRANSFER ORDERS.

13.1 Legends. Optionee understands and agrees that the Company will place the legends set forth below or similar legends on any share certificate(s) evidencing the Shares, together with any other legends that may be required by state or U.S. Federal securities laws, the Company's Memorandum and Articles of Association, any other agreement between Optionee and the Company, or

any agreement between Optionee and any third party (and any other legend(s) that the Company may become obligated to place on the share certificate(s) evidencing the Shares under the terms of any agreement to which the Company is or may become bound or obligated):

(a) THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

(b) THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON RESALE AND TRANSFER, INCLUDING THE RIGHT OF FIRST REFUSAL HELD BY THE ISSUER AND/OR ITS ASSIGNEE(S) AS SET FORTH IN A STOCK OPTION AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH SALE AND TRANSFER RESTRICTIONS, INCLUDING THE RIGHT OF FIRST REFUSAL, ARE BINDING ON TRANSFEREES OF THESE SHARES.

(c) THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A MARKET STANDOFF RESTRICTION AS SET FORTH IN A CERTAIN STOCK OPTION AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. AS A RESULT OF SUCH AGREEMENT, THESE SHARES MAY NOT BE TRADED PRIOR TO 180 DAYS AFTER THE EFFECTIVE DATE OF CERTAIN PUBLIC OFFERINGS OF THE ORDINARY SHARES OF THE ISSUER HEREOF. SUCH RESTRICTION IS BINDING ON TRANSFEREES OF THESE SHARES.

Optionee agrees that if Optionee becomes a party to (i) the Company Co-Sale Agreement or (ii) (A) the Company's Voting Agreement dated as of April 7, 2017 among the Company and certain shareholders of the Company, as such may be amended and/or restated from time to time, and/or (B) any other voting agreement that is a successor to or replacement of such agreement (collectively, the "***Company Voting Agreement***"), then Optionee agrees that the share certificate(s) evidencing the Shares shall, in addition, bear any legends required under the Company Co-Sale Agreement and/or the Company Voting Agreement, as applicable.

13.2 Stop-Transfer Instructions. Optionee agrees that, to ensure compliance with the restrictions imposed by this Agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent, if any, and if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

13.3 Refusal to Transfer. The Company will not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares, or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares have been so transferred.

14. CERTAIN TAX CONSEQUENCES. Set forth below is a brief summary as of the Effective Date of the Plan of some of the federal tax consequences of exercise of the Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

14.1 Exercise of ISO. If the Option qualifies as an ISO, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as a tax preference item for federal alternative minimum tax purposes and may subject Optionee to the alternative minimum tax in the year of exercise.

14.2 Exercise of Nonqualified Stock Option. If the Option does not qualify as an ISO, there may be a regular federal income tax liability upon the exercise of the Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is a current or former employee of the Company, the Company may be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

14.3 Disposition of Shares. The following tax consequences may apply upon disposition of the Shares.

(a) Incentive Stock Options. If the Shares are held for more than twelve (12) months after the date of purchase of the Shares pursuant to the exercise of an ISO and are disposed of more than two (2) years after the Date of Grant, any gain realized on disposition of the Shares will be treated as long term capital gain for federal income tax purposes. If Shares purchased under an ISO are disposed of within the applicable one (1) year or two (2) year period, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates in the year of the disposition) to the extent of the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price.

(b) Nonqualified Stock Options. If the Shares are held for more than twelve (12) months after the date of purchase of the Shares pursuant to the exercise of an NQSO, any gain realized on disposition of the Shares will be treated as long term capital gain.

15. GENERAL PROVISIONS.

15.1 Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Optionee.

15.2 Entire Agreement. The Plan, the Grant Notice and the Exercise Agreement are each incorporated herein by reference. This Agreement, the Grant Notice, the Plan and the Exercise Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede all prior undertakings and agreements with respect to such subject matter.

16. 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) at the time an electronic confirmation of receipt is received, if delivery is by email; (iii) at the time of transmission by facsimile, addressed to the other party at its facsimile number specified herein (or hereafter modified by subsequent notice to the parties hereto), with confirmation of receipt made by both telephone and printed confirmation sheet verifying successful transmission of the facsimile; (iv) one (1) business day after deposit with an express overnight courier for United States deliveries, or two (2) business days after such deposit for deliveries outside of the United

States, with proof of delivery from the courier requested; or (v) three (3) business days after deposit in the United States mail by certified mail (return receipt requested) for United States deliveries. Any notice for delivery outside the United States will be sent by email, facsimile or by express courier. Any notice not delivered personally or by email will be sent with postage and/or other charges prepaid and properly addressed to Optionee at the last known address or facsimile number on the books of the Company, or at such other address or facsimile number as such other party may designate by one of the indicated means of notice herein to the other parties hereto or, in the case of the Company, to it at its principal place of business. Notices to the Company will be marked "Attention: Chief Financial Officer." Notices by facsimile shall be machine verified as received.

17. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Agreement including its rights to purchase Shares under the Right of First Refusal. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's heirs, executors, administrators, legal representatives, successors and assigns.

18. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

19. FURTHER ASSURANCES. The parties agree to execute such further documents and instruments and to take such further actions as may be reasonably necessary to carry out the purposes and intent of this Agreement.

20. TITLES AND HEADINGS. The titles, captions and headings of this Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Agreement. Unless otherwise specifically stated, all references herein to "sections" and "exhibits" will mean "sections" and "exhibits" to this Agreement.

21. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together shall constitute one and the same agreement.

22. SEVERABILITY. If any provision of this Agreement is determined by any court or arbitrator of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, such provision shall be stricken from this Agreement and the remainder of this Agreement shall be enforced as if such invalid, illegal or unenforceable clause or provision had (to the extent not enforceable) never been contained in this Agreement. Notwithstanding the forgoing, if the value of this Agreement based upon the substantial benefit of the bargain for any party is materially impaired, which determination as made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.

* * * * *

Attachment: Annex A: Form of Stock Option Exercise Notice and Agreement

ANNEX A

FORM OF STOCK OPTION EXERCISE NOTICE AND AGREEMENT

Exhibit 10.4(c)
EARLY EXERCISE FORM
OPTION GRANT NO. ____

NOTICE OF STOCK OPTION GRANT

TERNS PHARMACEUTICALS, INC.

2017 EQUITY INCENTIVE PLAN

The Optionee named below ("***Optionee***") has been granted an option (this "***Option***") to purchase Ordinary Shares, $0.0001 par value per share (the "***Ordinary Shares***"), of Terns Pharmaceuticals, Inc., an exempted company incorporated with limited liability in the Cayman Islands (the "***Company***"), pursuant to the Company's 2017 Equity Incentive Plan, as amended from time to time (the "***Plan***") on the terms, and subject to the conditions, described below and in the Stock Option Agreement attached hereto as **Exhibit A**, including its annexes (the "***Stock Option Agreement***").

Optionee:	
Maximum Number of Shares Subject to this Option (the "*Shares*"):	
Exercise Price Per Share:	$_____ per share
Date of Grant:	
Vesting Start Date:	
Exercise Schedule:	This Option is immediately exercisable for all of the Shares, subject to the terms of the Stock Option Agreement
Expiration Date:	The date ten (10) years after the Date of Grant set forth above, subject to earlier expiration in the event of Termination as provided in Section 3 of the Stock Option Agreement.
Tax Status of Option: (Check *Only* One Box):	☐ Incentive Stock Option (*To the fullest extent permitted by the Code*) ☐ Nonqualified Stock Option. (*If neither box is checked, this Option is a Nonqualified Stock Option*).

Vesting Schedule [EXAMPLE ONLY]: For so long as Optionee continuously provides services to the Company (or any Subsidiary or Parent of the Company) as an employee, officer, director, contractor or consultant, the Shares subject to this Option will vest as follows: (a) prior to the first one (1) year anniversary of the Vesting Start Date, none of the Shares will be vested; (b) [**1/4th]** of the Shares will be vested on the one (1) year anniversary of the Vesting Start Date; and (c) thereafter, this Option will become vested and exercisable with respect to an additional [**1/48th**] of the Shares when Optionee completes each month of continuous service following the first one (1) year anniversary of the Vesting Start Date.

General; Agreement: By their signatures below, Optionee and the Company agree that this Option is granted under and governed by this Notice of Stock Option Grant (this "***Grant Notice***") and by the provisions of the Plan and the Stock Option Agreement. The Plan and the Stock Option Agreement are incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings given to them in the Plan or in the Stock Option Agreement, as applicable. By signing below, Optionee acknowledges receipt of a copy of this Grant Notice, the Plan and the Stock Option Agreement, represents that Optionee has carefully read and is familiar with their provisions, and hereby accepts the Option subject to all of their respective terms and conditions. Optionee acknowledges that there may be adverse tax consequences upon exercise of the Option or disposition of the Shares and that Optionee should consult a tax adviser prior to such exercise or disposition. Optionee agrees and acknowledges that the Vesting Schedule may change prospectively in the event that Optionee's service status changes between full and part time status in accordance with Company policies relating to work schedules and vesting of equity awards.

Execution and Delivery: This Grant Notice may be executed and delivered electronically whether via the Company's intranet or the Internet site of a third party or via email or any other means of electronic delivery specified by the Company. By Optionee's acceptance hereof (whether written, electronic or otherwise), Optionee agrees, to the fullest extent permitted by law, that in lieu of receiving documents in paper format, Optionee accepts the electronic delivery of any documents that the Company (or any third party the Company may designate), may deliver in connection with this grant (including the Plan, this Grant Notice, the Stock Option Agreement, the information described in Rules 701(e)(2), (3), (4) and (5) under the Securities Act (the "***701 Disclosures***"), account statements, or other communications or information) whether via the Company's intranet or the Internet site of such third party or via email or such other means of electronic delivery specified by the Company.

TERNS PHARMACEUTICALS, INC.

By /Signature: _____

Typed Name: _____

Title: _____

Optionee Signature: _____

Optionee's Name: _____

ATTACHMENT: Exhibit A – Stock Option Agreement

Exhibit A

Stock Option Agreement

EXHIBIT A
EARLY EXERCISE FORM

STOCK OPTION AGREEMENT

TERNS PHARMACEUTICALS, INC.

2017 EQUITY INCENTIVE PLAN

This Stock Option Agreement (this "***Agreement***") is made and entered into as of the date of grant (the "***Date of Grant***") set forth on the Notice of Stock Option Grant attached as the facing page to this Agreement (the "***Grant Notice***") by and between Terns Pharmaceuticals, Inc., an exempted company incorporated with limited liability in the Cayman Islands (the "***Company***"), and the optionee named on the Grant Notice ("***Optionee***"). Capitalized terms not defined in this Agreement shall have the meaning ascribed to them in the Company's 2017 Equity Incentive Plan, as amended from time to time (the "***Plan***"), or in the Grant Notice, as applicable.

1. GRANT OF OPTION. The Company hereby grants to Optionee an option (this "***Option***") to purchase up to the total number of Ordinary Shares of the Company, $0.0001 par value per share (the "***Ordinary Shares***"), set forth in the Grant Notice as the Shares (the "***Shares***") at the Exercise Price Per Share set forth in the Grant Notice (the "***Exercise Price***"), subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan. If designated as an Incentive Stock Option in the Grant Notice, this Option is intended to qualify as an incentive stock option (the "***ISO***") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "***Code***"), except that if on the Date of Grant Optionee is not subject to U.S. income tax, then this Option shall be a NQSO.

2. EXERCISE PERIOD.

2.1. Exercise Period of Option. Subject to the conditions set forth in this Agreement, all or part of this Option may be exercised at any time after the Date of Grant. Shares purchased by exercising this Option may be subject to the Repurchase Option as set forth in Section 7 below. This Option will become vested during its term as to portions of the Shares in accordance with the Vesting Schedule set forth in the Grant Notice. Notwithstanding any provision in the Plan or this Agreement to the contrary, on or after Optionee's Termination Date, this Option may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date.

2.2. Vesting of Option Shares. Shares with respect to which this Option is vested at a given time pursuant to the Vesting Schedule set forth in the Grant Notice are "***Vested Shares***." Shares with respect to which this Option is not vested at a given time pursuant to the Vesting Schedule set forth in the Grant Notice are "***Unvested Shares***."

2.3. Expiration. The Option shall expire on the Expiration Date set forth in the Grant Notice or earlier as provided in Section 3 below.

3. TERMINATION.

3.1. Termination for Any Reason Except Death, Disability or Cause. Except as provided in subsection 3.2 in a case in which Optionee dies within three (3) months after Optionee is Terminated other than for Cause, if Optionee is Terminated for any reason (other than Optionee's death or Disability or for Cause), then (a) on and after Optionee's Termination Date, this Option shall expire immediately with respect to any Shares that are Unvested Shares and may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date and (b) this Option to the extent (and only to the extent) that it is exercisable with respect to Vested Shares on Optionee's Termination Date, may be exercised by Optionee no later than three (3) months after Optionee's Termination Date (but in no event may this Option be exercised after the Expiration Date).

3.2. Termination Because of Death or Disability. If Optionee is Terminated because of Optionee's death or Disability (or if Optionee dies within three (3) months of the date of Optionee's Termination for any reason other than for Cause), then (a) on and after Optionee's Termination Date, this Option shall expire immediately with respect to any Shares that are Unvested Shares and may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date and (b) this Option, to the extent (and only to the extent) that it is exercisable with respect to Vested Shares on Optionee's Termination Date, may be exercised by Optionee (or Optionee's legal representative) no later than twelve (12) months after Optionee's Termination Date, but in no event later than the Expiration Date. Any exercise of this Option beyond (i) three (3) months after the date Optionee ceases to be an employee when Optionee's Termination is for any reason other than Optionee's death or disability, within the meaning of Section 22(e)(3) of the Code; or (ii) twelve (12) months after the date Optionee ceases to be an employee when the termination is for Optionee's disability, within the meaning of Section 22(e)(3) of the Code, is deemed to be an NQSO.

3.3. Termination for Cause. If Optionee is Terminated for Cause, then Optionee may exercise this Option, but only with respect to any Shares that are Vested Shares on Optionee's Termination Date, and this Option shall expire on Optionee's Termination Date, or at such later time and on such conditions as may be affirmatively determined by the Committee. On and after Optionee's Termination Date, this Option shall expire immediately with respect to any Shares that are Unvested Shares and may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date.

3.4. No Obligation to Employ. Nothing in the Plan or this Agreement shall confer on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent or Subsidiary of the Company, or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Optionee's employment or other relationship at any time, with or without Cause.

4. MANNER OF EXERCISE.

4.1. Stock Option Exercise Notice and Agreement. To exercise this Option, Optionee (or in the case of exercise after Optionee's death or incapacity, Optionee's executor, administrator, heir or legatee, as the case may be) must deliver to the Company an executed Stock Option Exercise Notice and Agreement in the form attached hereto as **Annex A**, or in such other form as may be approved by the Committee from time to time (the "***Exercise Agreement***") and payment for the shares being purchased in accordance with this Agreement. The Exercise Agreement shall set forth, among other things, (i) Optionee's election to exercise this Option, (ii) the number of Shares being purchased, (iii) any representations, warranties and agreements regarding Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws in connection with any exercise of this Option and (iv) any other agreements required by the Company. If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise this Option and such person shall be subject to all of the restrictions contained herein as if such person were Optionee.

4.2. Limitations on Exercise. This Option may not be exercised unless such exercise is in compliance with all applicable federal and state securities laws, as they are in effect on the date of exercise.

4.3. Payment. The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the shares being purchased in cash (by check or wire transfer), or where permitted by law:

(a) by cancellation of indebtedness of the Company owed to Optionee;

(b) by surrender of shares of the Company that are free and clear of all security interests, pledges, liens, claims or encumbrances and: (i) for which the Company has received "full payment of the purchase price" within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or (ii) that were obtained by Optionee in the public market;

(c) by participating in a formal cashless exercise program implemented by the Committee in connection with the Plan;

(d) provided that a public market for the Ordinary Shares exists, subject to compliance with applicable law, by exercising as set forth below, through a "same day sale" commitment from Optionee and a broker-dealer whereby Optionee irrevocably elects to exercise this Option and to sell a portion of the Shares so purchased sufficient to pay the total Exercise Price, and whereby the broker-dealer irrevocably commits upon receipt of such Shares to forward the total Exercise Price directly to the Company; or

(e) by any combination of the foregoing or any other method of payment approved by the Committee that constitutes legal consideration for the issuance of Shares.

4.4. Tax Withholding. Prior to the issuance of the Shares upon exercise of the Option, Optionee must pay or provide for any applicable federal, state and local withholding obligations of the Company. If the Committee permits, Optionee may provide for payment of withholding taxes upon exercise of the Option by requesting that the Company retain the minimum number of Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld; or to arrange a mandatory "sell to cover" on Participant's behalf (without further authorization); but in no event will the Company withhold Shares or "sell to cover" if such withholding would result in adverse accounting consequences to the Company. In case of stock withholding or a sell to cover, the Company shall issue the net number of Shares to Optionee by deducting the Shares retained from the Shares issuable upon exercise.

4.5. Issuance of Shares. Provided that the Exercise Agreement and payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Shares issuable upon a valid exercise of this Option registered in the name of Optionee, Optionee's authorized assignee, or Optionee's legal representative, and shall deliver certificates representing the Shares with the appropriate legends affixed thereto.

5. COMPLIANCE WITH LAWS AND REGULATIONS. The Plan and this Agreement are intended to comply with Section 25102(o) and Rule 701. Any provision of this Agreement that is inconsistent with Section 25102(o) or Rule 701 shall, without further act or amendment by the Company or the Committee, be reformed to comply with the requirements of Section 25102(o) and/or Rule 701. The exercise of this Option and the issuance and transfer of Shares shall be subject to compliance by the Company and Optionee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Ordinary Shares may be listed at the time of such issuance or transfer. Optionee understands that the Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

6. NONTRANSFERABILITY OF OPTION. This Option may not be transferred in any manner other than by will or by the laws of descent and distribution, and, with respect to NQSOs, by instrument to a testamentary trust in which the options are to be passed to beneficiaries upon the death of the trustor (settlor) or a revocable trust, or by gift to "immediate family" as that term is defined in 17 C.F.R. 240.16a-1(e), and may be exercised during the lifetime of Optionee only by Optionee or in the event of Optionee's incapacity, by Optionee's legal representative. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

7. COMPANY'S REPURCHASE OPTION FOR UNVESTED SHARES. If Optionee is Terminated for any reason, or no reason, including without limitation, Optionee's death, Disability, voluntary resignation or termination by the Company with or without Cause and Optionee has acquired Unvested Shares by exercising this Option, then the Company and/or its assignee(s) shall have the option to repurchase all or a portion of Optionee's Unvested Shares (as defined in Section 2.2 of this Agreement) as of the Termination Date on the terms and conditions set forth in this Section 7 (the "***Repurchase Option***").

7.1. Termination and Termination Date. In case of any dispute as to whether Optionee is Terminated, the Committee shall have discretion to determine whether Optionee has been Terminated and the effective date of such Termination (the "***Termination Date***").

7.2. Exercise of Repurchase Option. Subject to the foregoing provisions of this Section, at any time within ninety (90) days after Optionee's Termination Date, the Company and/or its assignee(s), may elect to repurchase any or all of Optionee's Unvested Shares by giving Optionee written notice of exercise of the Repurchase Option.

7.3. Calculation of Repurchase Price for Unvested Shares. The Company or its assignee shall have the option to repurchase from Optionee (or from Optionee's personal representative as the case may be) the Unvested Shares at the lower of (a) the Fair Market Value (as defined in the Plan) per Share of such Shares on the Termination Date or (b) Optionee's Exercise Price, as such may be proportionately adjusted for any stock split or similar change in the capital structure of the Company as set forth in Section 2.2 of the Plan (the "***Repurchase Price***").

7.4. Payment of Repurchase Price. The Repurchase Price shall be payable, at the option of the Company or its assignee, by check or by cancellation of all or a portion of any outstanding indebtedness owed by Optionee to the Company and/or such assignee, or by any combination thereof. The Repurchase Price shall be paid without interest within the term of the Repurchase Option as described in Section 7.2.

7.5. Right of Termination Unaffected. Nothing in this Agreement shall be construed to limit or otherwise affect in any manner whatsoever the right or power of the Company (or any Parent or Subsidiary of the Company) to terminate Optionee's employment or other relationship with Company (or any Parent or Subsidiary of the Company) at any time, for any reason or no reason, with or without Cause.

8. RESTRICTIONS ON TRANSFER.

8.1. Disposition of Shares. Optionee hereby agrees that Optionee shall make no disposition of any of the Shares (other than as permitted by this Agreement) unless and until:

(a) Optionee shall have notified the Company of the proposed disposition and provided a written summary of the terms and conditions of the proposed disposition;

(b) Optionee shall have complied with all requirements of this Agreement applicable to the disposition of the Shares;

(c) Optionee shall have provided the Company with written assurances, in form and substance satisfactory to counsel for the Company, that (i) the proposed disposition does not require registration of the Shares under the Securities Act or under any applicable state securities laws or (ii) all appropriate actions necessary for compliance with the registration requirements of the Securities Act or of any exemption from registration available under the Securities Act (including Rule 144) or applicable state securities laws have been taken; and

(d) Optionee shall have provided the Company with written assurances, in form and substance satisfactory to the Company, that the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Shares pursuant to the provisions of the regulations promulgated under Section 25102(o), Rule 701 or under any other applicable securities laws or adversely affect the Company's ability to rely on the exemption(s) from registration under the Securities Act or under any other applicable securities laws for the grant of the Option, the issuance of Shares thereunder or any other issuance of securities under the Plan.

8.2. Restriction on Transfer. Optionee shall not transfer, assign, grant a lien or security interest in, pledge, hypothecate, encumber or otherwise dispose of any of the Shares which are subject to the Company's Repurchase Option or the Right of First Refusal described below, except as permitted by this Agreement.

8.3. Transferee Obligations. Each person (other than the Company) to whom the Shares are transferred by means of one of the permitted transfers specified in this Agreement must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that such person is bound by the provisions of this Agreement and that the transferred Shares are subject to (i) both the Company's Repurchase Option and the Company's Right of First Refusal granted hereunder and (ii) the market stand-off provisions of Section 9 below, to the same extent such Shares would be so subject if retained by Optionee.

9. MARKET STANDOFF AGREEMENT. Optionee agrees that, subject to any early release provisions that apply pro rata to shareholders of the Company according to their holdings of Ordinary Shares (determined on an as-converted into Ordinary Shares basis), Optionee will not, for a period of up to one hundred eighty (180) days (plus up to an additional thirty five (35) days to the extent reasonably requested by the Company or such underwriter(s) to accommodate regulatory restrictions on the publication or other distribution of research reports or earnings releases by the Company, including NASD and NYSE rules) following the effective date of the registration statement filed with the SEC relating to the initial underwritten sale of Ordinary Shares of the Company to the public under the Securities Act (the "***IPO***"), directly or indirectly sell, offer to sell, grant any option for the sale of, or otherwise dispose of any Ordinary Shares or securities convertible into Ordinary Shares, except for: (i) transfers of Shares permitted under Section 10.6 hereof so long as such transferee furnishes to the Company and the managing underwriter their written consent to be bound by this Section 9 as a condition precedent to such transfer; and (ii) sales of any securities to be included in the registration statement for the IPO. For the avoidance of doubt, the provisions of this Section shall only apply to the IPO. The restricted period shall in any event terminate two (2) years after the closing date of the IPO. In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the Shares subject to this Section and to impose stop transfer instructions with respect to the Shares until the end of such period. Optionee further agrees to enter into any agreement reasonably required by the underwriters to implement the foregoing restrictions on transfer. For the avoidance of doubt, the foregoing provisions of this Section shall not apply to any registration of securities of the Company (a) under an employee benefit plan or (b) in a merger, consolidation, business combination or similar transaction.

10. COMPANY'S RIGHT OF FIRST REFUSAL. Unvested Shares may not be sold or otherwise transferred, or pledged by Optionee or made subject to a security interest, pledge or other lien without the Company's prior written consent, which may be withheld in the Company's sole and absolute discretion. Before any Vested Shares held by Optionee or any transferee of such Vested Shares (either sometimes referred to herein as the "***Holder"***) may be sold or otherwise transferred (including, without limitation, a transfer by gift or operation of law), the Company and/or its assignee(s) will have a right of first refusal to purchase the Vested Shares to be sold or transferred (the "***Offered Shares"***) on the terms and conditions set forth in this Section (the "***Right of First Refusal"***).

10.1. Notice of Proposed Transfer. The Holder of the Offered Shares will deliver to the Company a written notice (the "***Notice"***) stating: (i) the Holder's bona fide intention to sell or otherwise transfer the Offered Shares; (ii) the name and address of each proposed purchaser or other transferee (the "***Proposed Transferee"***); (iii) the number of Offered Shares to be transferred to each Proposed Transferee; (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Offered Shares (the "***Offered Price"***); and (v) that the Holder acknowledges this Notice is an offer to sell the Offered Shares to the Company and/or its assignee(s) pursuant to the Company's Right of First Refusal at the Offered Price as provided for in this Agreement.

10.2. Exercise of Right of First Refusal. At any time within thirty (30) days after the date of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all (or, with the consent of the Holder, less than all) the Offered Shares proposed to be transferred to any one or more of the Proposed Transferees named in the Notice, at the purchase price, determined as specified below.

10.3. Purchase Price. The purchase price for the Offered Shares purchased under this Section will be the Offered Price, *provided* that if the Offered Price consists of no legal consideration (as, for example, in the case of a transfer by gift) then the purchase price will be the fair market value of the Offered Shares as determined in good faith by the Committee. If the Offered Price includes consideration other than cash, then the value of the non-cash consideration, as determined in good faith by the Committee, will conclusively be deemed to be the cash equivalent value of such non-cash consideration.

10.4. Payment. Payment of the purchase price for the Offered Shares will be payable, at the option of the Company and/or its assignee(s) (as applicable), by check or by cancellation of all or a portion of any outstanding purchase money indebtedness owed by the Holder to the Company (or to such assignee, in the case of a purchase of Offered Shares by such assignee) or by any combination thereof. The purchase price will be paid without interest within sixty (60) days after the Company's receipt of the Notice, or, at the option of the Company and/or its assignee(s), in the manner and at the time(s) set forth in the Notice.

10.5. Holder's Right to Transfer. If all of the Offered Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Offered Shares to each Proposed Transferee at the Offered Price or at a higher price, *provided* that (i) such sale or other transfer is consummated within ninety (90) days after the date of the Notice, (ii) any such sale or other transfer is effected in compliance with all applicable securities laws, and (iii) each Proposed Transferee agrees in writing that the provisions of this Section will continue to apply to the Offered Shares in the hands of such Proposed Transferee. If the Offered Shares described in the Notice are not transferred to each Proposed Transferee within such ninety (90) day period, then a new Notice must be given to the Company pursuant to which the Company will again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

10.6. Exempt Transfers. Notwithstanding anything to the contrary in this Section, the following transfers of Vested Shares will be exempt from the Right of First Refusal: (i) the transfer of any or all of the Vested Shares during Optionee's lifetime by gift or on Optionee's death by will or intestacy to any member(s) of Optionee's "Immediate Family" (as defined below) or to a trust for the benefit of Optionee and/or member(s) of Optionee's Immediate Family, *provided* that each transferee or other recipient agrees in a writing satisfactory to the Company that the provisions of this Section will continue to apply to the transferred Vested Shares in the hands of such transferee or other recipient; (ii) any transfer of Vested Shares made pursuant to a statutory merger, statutory consolidation of the Company with or into another corporation or corporations or a conversion of the Company into another form of legal entity (except that the Right of First Refusal will continue to apply thereafter to such Vested Shares, in which case the surviving corporation of such merger or consolidation or the resulting entity of such conversion shall succeed to the rights of the Company under this Section unless the agreement of merger

or consolidation or conversion expressly otherwise provides); or (iii) any transfer of Vested Shares pursuant to the winding up and dissolution of the Company. As used herein, the term "***Immediate Family"*** will mean Optionee's spouse, the lineal descendant or antecedent, father, mother, brother or sister, child, adopted child, grandchild or adopted grandchild of Optionee or Optionee's spouse, or the spouse of any of the above or Spousal Equivalent, as defined herein. As used herein, a person is deemed to be a "***Spousal Equivalent"*** provided the following circumstances are true: (i) irrespective of whether or not Optionee and the Spousal Equivalent are the same sex, they are the sole spousal equivalent of the other for the last twelve (12) months, (ii) they intend to remain so indefinitely, (iii) neither are married to anyone else, (iv) both are at least 18 years of age and mentally competent to consent to contract, (v) they are not related by blood to a degree of closeness that which would prohibit legal marriage in the state in which they legally reside, (vi) they are jointly responsible for each other's common welfare and financial obligations, and (vii) they reside together in the same residence for the last twelve (12) months and intend to do so indefinitely.

10.7. Termination of Right of First Refusal. The Right of First Refusal will terminate as to all Shares: (i) on the effective date of the first sale of Ordinary Shares of the Company to the general public pursuant to a registration statement filed with and declared effective by the SEC under the Securities Act (other than a registration statement relating solely to the issuance of Ordinary Shares pursuant to a business combination or an employee incentive or benefit plan); (ii) on any transfer or conversion of Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations if the ordinary shares of the surviving corporation or any direct or indirect parent corporation thereof is registered under the Exchange Act; or (iii) on any transfer or conversion of Shares made pursuant to a statutory conversion of the Company into another form of legal entity if the common equity (or comparable equity security) of entity resulting from such conversion is registered under the Exchange Act.

10.8. Encumbrances on Vested Shares. Optionee may grant a lien or security interest in, or pledge, hypothecate or encumber Vested Shares only if each party to whom such lien or security interest is granted, or to whom such pledge, hypothecation or other encumbrance is made, agrees in a writing satisfactory to the Company that: (i) such lien, security interest, pledge, hypothecation or encumbrance will not adversely affect or impair the Right of First Refusal or the rights of the Company and/or its assignee(s) with respect thereto and will not apply to such Vested Shares after they are acquired by the Company and/or its assignees under this Section; and (ii) the provisions of this Agreement will continue to apply to such Vested Shares in the hands of such party and any transferee of such party. Optionee may not grant a lien or security interest in, or pledge, hypothecate or encumber, any Unvested Shares.

10.9. Effect of Company Co-Sale Agreement. If Optionee is, or at any time hereafter becomes, a party to or otherwise bound by (i) the Company's Right of First Refusal and Co-Sale Agreement dated as of April 7, 2017 among the Company and certain shareholders of the Company, as such may be amended and/or restated from time to time, and/or (ii) any other agreement that is a successor to or replacement of such agreement (collectively, the "***Company Co-Sale Agreement***"), then, in the event of any conflict or inconsistency between the provisions of Section 9 hereof and/or this Section 10 and any provisions in the Company Co-Sale Agreement granting the Company and/or other security holders of the Company rights of first refusal and/or co-sale rights with respect to any or all of the Shares or imposing market stand-off restrictions, Optionee agrees with the Company that the terms and conditions of the Company Co-Sale Agreement shall apply, govern, supersede and prevail over (and in lieu of) the provisions of Section 9 hereof and/or of this Section 10 (as applicable) so long as the Company Co-Sale Agreement is in effect and Optionee is a party to or bound thereby. If the Company Co-Sale Agreement is no longer in effect or if Optionee is not a party to or bound thereby, then the provisions of this Section 10 shall apply in full force and effect until termination of the Right of First Refusal and the provisions of Section 9 hereof shall apply in full force and effect in accordance with its terms.

11. RIGHTS AS A SHAREHOLDER. Optionee shall not have any of the rights of a shareholder with respect to any Shares unless and until such Shares are issued to Optionee. Subject to the terms and conditions of this Agreement, Optionee will have all of the rights of a shareholder of the Company with respect to the Shares from and after the date that Shares are issued to Optionee pursuant to, and in accordance with, the terms of the Exercise Agreement until such time as Optionee disposes of the Shares or the Company and/or its assignee(s) exercise(s) the Repurchase Option or the Right of First Refusal. Upon an exercise of the Repurchase Option or the Right of First Refusal, Optionee will have no further rights as a holder of the Shares so purchased upon such exercise, other than the right to receive payment for the Shares so purchased in accordance with the provisions of this Agreement, and Optionee will promptly surrender the share certificate(s) evidencing the Shares so purchased to the Company for transfer or cancellation.

12. ESCROW. As security for Optionee's faithful performance of this Agreement, Optionee agrees, immediately upon receipt of the share certificate(s) evidencing the Shares, to deliver such certificate(s) to the Secretary of the Company or other designee of the Company (the "***Escrow Holder***"), who is hereby appointed to hold such certificate(s) and to take all such actions and to effectuate all such transfers and/or releases of such Shares as are in accordance with the terms of this Agreement. Optionee and the Company agree that Escrow Holder will not be liable to any party to this Agreement (or to any other party) for any actions or omissions unless Escrow Holder is grossly negligent or intentionally fraudulent in carrying out the duties of Escrow Holder under this Agreement. Escrow Holder may rely upon any letter, notice or other document executed with any signature purported to be genuine and may rely on the advice of counsel and obey any order of any court with respect to the transactions contemplated by this Agreement and will not be liable for any act or omission taken by Escrow Holder in good faith reliance on such documents, the advice of counsel or a court order. The Shares will be released from escrow upon termination of both the Repurchase Option and the Right of First Refusal.

13. Company Co-Sale Agreement and Voting Agreement. As a material inducement and consideration for the Company to enter into this Agreement, Optionee hereby agrees that if, the Company requests Optionee to enter into and become a party to (a) the Company Co-Sale Agreement (and to subject the Shares to the rights of first refusal held by the Company and other Company investors thereunder and the co-sale rights of other investors thereunder and pursuant to which Optionee would agree to vote all Company shares held by Optionee in favor of certain material transactions, such as mergers or sales of the Company) and/or (b) the Company Voting Agreement (pursuant to which Optionee would agree to vote all Company shares held by Optionee for the election of directors), then Optionee will enter into such agreements and execute and deliver signature pages thereto (as requested by the Company) in such capacities as the Company requests, at the time of exercising this Option and as a condition to such exercise or at any later time.

14. RESTRICTIVE LEGENDS AND STOP-TRANSFER ORDERS.

14.1. Legends. Optionee understands and agrees that the Company will place the legends set forth below or similar legends on any share certificate(s) evidencing the Shares, together with any other legends that may be required by state or U.S. Federal securities laws, the Company's Memorandum and Articles of Association, any other agreement between Optionee and the Company, or any agreement between Optionee and any third party (and any other legend(s) that the Company may become obligated to place on the share certificate(s) evidencing the Shares under the terms of any agreement to which the Company is or may become bound or obligated):

(a) THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION

THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

(b) THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON RESALE AND TRANSFER, INCLUDING THE REPURCHASE OPTION AND RIGHT OF FIRST REFUSAL HELD BY THE ISSUER AND/OR ITS ASSIGNEE(S) AS SET FORTH IN A STOCK OPTION AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH SALE AND TRANSFER RESTRICTIONS, INCLUDING THE REPURCHASE OPTION AND RIGHT OF FIRST REFUSAL, ARE BINDING ON TRANSFEREES OF THESE SHARES.

(c) THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A MARKET STANDOFF RESTRICTION AS SET FORTH IN A CERTAIN STOCK OPTION AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. AS A RESULT OF SUCH AGREEMENT, THESE SHARES MAY NOT BE TRADED PRIOR TO 180 DAYS AFTER THE EFFECTIVE DATE OF CERTAIN PUBLIC OFFERINGS OF THE ORDINARY SHARES OF THE ISSUER HEREOF. SUCH RESTRICTION IS BINDING ON TRANSFEREES OF THESE SHARES.

Optionee agrees that if Optionee becomes a party to (i) the Company Co-Sale Agreement or (ii) (A) the Company's Voting Agreement dated as of April 7, 2017 among the Company and certain shareholders of the Company, as such may be amended and/or restated from time to time, and/or (B) any other voting agreement that is a successor to or replacement of such agreement (collectively, the "***Company Voting Agreement***"), then Optionee agrees that the share certificate(s) evidencing the Shares shall, in addition, bear any legends required under the Company Co-Sale Agreement and/or the Company Voting Agreement, as applicable.

14.2. Stop-Transfer Instructions. Optionee agrees that, to ensure compliance with the restrictions imposed by this Agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent, if any, and if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

14.3. Refusal to Transfer. The Company will not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares, or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares have been so transferred.

15. CERTAIN TAX CONSEQUENCES. Set forth below is a brief summary as of the Effective Date of the Plan of some of the federal tax consequences of exercise of the Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

15.1. Exercise of ISO. If the Option qualifies as an ISO, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as a tax preference item for federal alternative minimum tax purposes and may subject Optionee to the alternative minimum tax in the year of exercise.

15.2. Exercise of Nonqualified Stock Option. If the Option does not qualify as an ISO, there may be a regular federal income tax liability upon the exercise of the Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is a current or former employee of the Company, the Company may be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

15.3. Disposition of Shares. The following tax consequences may apply upon disposition of the Shares.

(a) Incentive Stock Options. If the Shares are held for more than twelve (12) months after the date of purchase of the Shares pursuant to the exercise of an ISO and are disposed of more than two (2) years after the Date of Grant, any gain realized on disposition of the Shares will be treated as long term capital gain for federal income tax purposes. If Vested Shares purchased under an ISO are disposed of within the applicable one (1) year or two (2) year period, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates in the year of the disposition) to the extent of the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. To the extent the Shares were exercised prior to vesting coincident with the filing of an 83(b) Election, the amount taxed because of a disqualifying disposition will be based upon the excess, if any, of the fair market value on the date of vesting over the exercise price.

(b) Nonqualified Stock Options. If the Shares are held for more than twelve (12) months after the date of purchase of the Shares pursuant to the exercise of an NQSO, any gain realized on disposition of the Shares will be treated as long term capital gain.

15.4. Section 83(b) Election for Unvested Shares. With respect to Unvested Shares, which are subject to the Repurchase Option, unless an election is filed by Optionee with the Internal Revenue Service (and, if necessary, the proper state taxing authorities), within thirty (30) days of the purchase of the Unvested Shares, electing pursuant to Section 83(b) of the Code (and similar state tax provisions, if applicable) to be taxed currently on any difference between the Exercise Price of the Unvested Shares and their Fair Market Value on the date of purchase, there may be a recognition of taxable income (including, where applicable, alternative minimum taxable income) to Optionee, measured by the excess, if any, of the Fair Market Value of the Unvested Shares at the time they cease to be Unvested Shares, over the Exercise Price of the Unvested Shares.

16. GENERAL PROVISIONS.

16.1. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Optionee.

16.2. Entire Agreement. The Plan, the Grant Notice and the Exercise Agreement are each incorporated herein by reference. This Agreement, the Grant Notice, the Plan and the Exercise Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede all prior undertakings and agreements with respect to such subject matter.

17. 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) at the time an electronic confirmation of receipt is received, if delivery is by email; (iii) at the time of transmission by facsimile, addressed to the other party at its facsimile number specified herein (or hereafter modified by subsequent notice to the parties hereto), with confirmation of receipt made by both telephone and printed confirmation sheet verifying successful

transmission of the facsimile; (iv) one (1) business day after deposit with an express overnight courier for United States deliveries, or two (2) business days after such deposit for deliveries outside of the United States, with proof of delivery from the courier requested; or (v) three (3) business days after deposit in the United States mail by certified mail (return receipt requested) for United States deliveries. Any notice for delivery outside the United States will be sent by email, facsimile or by express courier. Any notice not delivered personally or by email will be sent with postage and/or other charges prepaid and properly addressed to Optionee at the last known address or facsimile number on the books of the Company, or at such other address or facsimile number as such other party may designate by one of the indicated means of notice herein to the other parties hereto or, in the case of the Company, to it at its principal place of business. Notices to the Company will be marked "Attention: Chief Financial Officer." Notices by facsimile shall be machine verified as received.

18. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Agreement including its rights to purchase Shares under both the Right of First Refusal and Repurchase Option. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's heirs, executors, administrators, legal representatives, successors and assigns.

19. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

20. FURTHER ASSURANCES. The parties agree to execute such further documents and instruments and to take such further actions as may be reasonably necessary to carry out the purposes and intent of this Agreement.

21. TITLES AND HEADINGS. The titles, captions and headings of this Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Agreement. Unless otherwise specifically stated, all references herein to "sections" and "exhibits" will mean "sections" and "exhibits" to this Agreement.

22. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together shall constitute one and the same agreement.

23. SEVERABILITY. If any provision of this Agreement is determined by any court or arbitrator of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, such provision shall be stricken from this Agreement and the remainder of this Agreement shall be enforced as if such invalid, illegal or unenforceable clause or provision had (to the extent not enforceable) never been contained in this Agreement. Notwithstanding the forgoing, if the value of this Agreement based upon the substantial benefit of the bargain for any party is materially impaired, which determination as made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.

* * * * *

Attachments:

Annex A: Form of Stock Option Exercise Notice and Agreement

ANNEX A

FORM OF STOCK OPTION EXERCISE NOTICE AND AGREEMENT

Exhibit 10.4(d)
OPTION GRANT NO. ____

NOTICE OF STOCK OPTION GRANT

(INTERNATIONAL OPTIONEES)

TERNS PHARMACEUTICALS, INC.

2017 EQUITY INCENTIVE PLAN

The Optionee named below ("***Optionee***") has been granted an option (this "***Option***") to purchase Ordinary Shares, $0.0001 par value per share (the "***Ordinary Shares***"), of Terns Pharmaceuticals, Inc., an exempted company incorporated with limited liability in the Cayman Islands (the "***Company***"), pursuant to the Company's 2017 Equity Incentive Plan, as amended from time to time (the "***Plan***") on the terms, and subject to the conditions, described below and in the Stock Option Agreement attached hereto as **Exhibit A**, including its annexes (the "***Stock Option Agreement***") and, for any non-U.S. optionees, the additional or replacement terms set forth in the addendum to the Stock Option Agreement (the "***Addendum***").

Optionee:	
Maximum Number of Shares Subject to this Option (the "*Shares*"):	
Exercise Price Per Share:	$_____ per share
Date of Grant:	
Vesting Start Date:	
Exercise Schedule:	This Option will become exercisable during its term with respect to portions of the Shares in accordance with the Vesting Schedule set forth below.
Expiration Date:	The date ten (10) years after the Date of Grant set forth above, subject to earlier expiration in the event of Termination as provided in Section 3 of the Stock Option Agreement.
Tax Status of Option: (Check *Only* One Box):	☐ Incentive Stock Option (*To the fullest extent permitted by the Code*) ☐ Nonqualified Stock Option. (*If neither box is checked, this Option is a Nonqualified Stock Option*).

Vesting Schedule [EXAMPLE ONLY]: For so long as Optionee continuously provides services to the Company (or any Subsidiary or Parent of the Company) as an employee, officer, director, contractor or consultant, this Option will vest (that is, become exercisable) with respect to the Shares as follows: (a) prior to the first one (1) year anniversary of the Vesting Start Date this Option will not be vested or exercisable as to any of the Shares; (b) this Option will become vested and exercisable with respect to [**1/4th**] of the Shares on the one (1) year anniversary of the Vesting Start Date; and (c) thereafter, this Option will become vested and exercisable with respect to an additional [**1/48th**] of the Shares when Optionee completes each month of continuous service following the first one (1) year anniversary of the Vesting Start Date.

General; Agreement: By their signatures below, Optionee and the Company agree that this Option is granted under and governed by this Notice of Stock Option Grant (this "***Grant Notice***") and by the provisions of the Plan, the Stock Option Agreement and the Addendum. The Plan and the Stock Option Agreement are incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings given to them in the Plan or in the Stock Option Agreement, as applicable. By signing below, Optionee acknowledges receipt of a copy of this Grant Notice, the Plan, the Stock Option Agreement and the Addendum and represents that Optionee has carefully read and is familiar with their provisions, and hereby accepts the Option subject to all of their respective terms and conditions. Optionee acknowledges that there may be adverse tax consequences upon the grant or exercise of the Option or disposition of the Shares and that Optionee should consult a tax adviser prior to such exercise or disposition. Optionee agrees and acknowledges that the Vesting Schedule may change prospectively in the event that Optionee's service status changes between full and part time status in accordance with Company policies relating to work schedules and vesting of equity awards, to the extent permitted by applicable law.

Execution and Delivery: This Grant Notice may be executed and delivered electronically whether via the Company's intranet or the Internet site of a third party or via email or any other means of electronic delivery specified by the Company. By Optionee's acceptance hereof (whether written, electronic or otherwise), Optionee agrees, to the fullest extent permitted by law, that in lieu of receiving documents in paper format, Optionee accepts the electronic delivery of any documents that the Company (or any third party the Company may designate), may deliver in connection with this grant (including the Plan, this Grant Notice, the Stock Option Agreement, the information described in Rules 701(e)(2), (3), (4) and (5) under the Securities Act (the "***701 Disclosures***"), account statements, or other communications or information) whether via the Company's intranet or the Internet site of such third party or via email or such other means of electronic delivery specified by the Company.

TERNS PHARMACEUTICALS, INC.

By /Signature: _____

Typed Name: _____

Title: _____

Optionee Signature: _____

Optionee's Name: _____

ATTACHMENT: Exhibit A – Stock Option Agreement

Exhibit A

Stock Option Agreement

EXHIBIT A

STOCK OPTION AGREEMENT

(INTERNATIONAL OPTIONEES)

TERNS PHARMACEUTICALS, INC.

2017 EQUITY INCENTIVE PLAN

This Stock Option Agreement (this "***Agreement***") is made and entered into as of the date of grant (the "***Date of Grant***") set forth on the Notice of Stock Option Grant attached as the facing page to this Agreement (the "***Grant Notice***") by and between Terns Pharmaceuticals, Inc., an exempted company incorporated with limited liability in the Cayman Islands (the "***Company***"), and the optionee named on the Grant Notice ("***Optionee***"). Capitalized terms not defined in this Agreement shall have the meaning ascribed to them in the Company's 2017 Equity Incentive Plan, as amended from time to time (the "***Plan***"), or in the Grant Notice, as applicable. This Agreement shall be subject to any additional or replacement terms and conditions set forth in the Addendum.

1. GRANT OF OPTION. The Company hereby grants to Optionee an option (this "***Option***") to purchase up to the total number of Ordinary Shares of the Company, $0.0001 par value per share (the "***Ordinary Shares***"), set forth in the Grant Notice as the Shares (the "***Shares***") at the Exercise Price Per Share set forth in the Grant Notice (the "***Exercise Price***"), subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan. If designated as an Incentive Stock Option in the Grant Notice, this Option is intended to qualify as an incentive stock option (the "***ISO***") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "***Code***"), except that if on the Date of Grant Optionee is not subject to U.S. income tax, then this Option shall be a NQSO.

2. EXERCISE PERIOD.

2.1 Exercise Period of Option. This Option is considered to be "vested" with respect to any particular Shares when this Option is exercisable with respect to such Shares. This Option will become vested during its term as to portions of the Shares in accordance with the Vesting Schedule set forth in the Grant Notice. Notwithstanding any provision in the Plan or this Agreement to the contrary, on or after Optionee's Termination Date, this Option may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date.

2.2 Vesting of Option Shares. Shares with respect to which this Option is vested and exercisable at a given time pursuant to the Vesting Schedule set forth in the Grant Notice are "***Vested Shares***." Shares with respect to which this Option is not vested and exercisable at a given time pursuant to the Vesting Schedule set forth in the Grant Notice are "***Unvested Shares***."

2.3 Expiration. The Option shall expire on the Expiration Date set forth in the Grant Notice or earlier as provided in Section 3 below.

3. TERMINATION.

3.1 Termination for Any Reason Except Death, Disability or Cause. Except as provided in subsection 3.2 in a case in which Optionee dies within three (3) months after Optionee is Terminated other than for Cause, if Optionee is Terminated for any reason (other than Optionee's death or Disability or for Cause), then (a) on and after Optionee's Termination Date, this Option shall expire immediately with respect to any Shares that are Unvested Shares and may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date and (b) this Option to the extent (and only to the extent) that it is exercisable with respect to Vested Shares on Optionee's Termination Date, may be exercised by Optionee no later than three (3) months after Optionee's Termination Date (but in no event may this Option be exercised after the Expiration Date).

3.2 Termination Because of Death or Disability. If Optionee is Terminated because of Optionee's death or Disability (or if Optionee dies within three (3) months of the date of Optionee's Termination for any reason other than for Cause), then (a) on and after Optionee's Termination Date, this Option shall expire immediately with respect to any Shares that are Unvested Shares and may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date and (b) this Option, to the extent (and only to the extent) that it is exercisable with respect to Vested Shares on Optionee's Termination Date, may be exercised by Optionee (or Optionee's legal representative) no later than twelve (12) months after Optionee's Termination Date, but in no event later than the Expiration Date. Any exercise of this Option beyond (i) three (3) months after the date Optionee ceases to be an employee when Optionee's Termination is for any reason other than Optionee's death or disability, within the meaning of Section 22(e)(3) of the Code; or (ii) twelve (12) months after the date Optionee ceases to be an employee when the termination is for Optionee's disability, within the meaning of Section 22(e)(3) of the Code, is deemed to be an NQSO.

3.3 Termination for Cause. If Optionee is Terminated for Cause, then Optionee may exercise this Option, but only with respect to any Shares that are Vested Shares on Optionee's Termination Date, and this Option shall expire on Optionee's Termination Date, or at such later time and on such conditions as may be affirmatively determined by the Committee. On and after Optionee's Termination Date, this Option shall expire immediately with respect to any Shares that are Unvested Shares and may not be exercised with respect to any Shares that are Unvested Shares on Optionee's Termination Date.

3.4 No Obligation to Employ. Nothing in the Plan or this Agreement shall confer on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent or Subsidiary of the Company, or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Optionee's employment or other relationship at any time, with or without Cause.

4. MANNER OF EXERCISE.

4.1 Stock Option Exercise Notice and Agreement. To exercise this Option, Optionee (or in the case of exercise after Optionee's death or incapacity, Optionee's executor, administrator, heir or legatee, as the case may be) must deliver to the Company an executed Stock Option Exercise Notice and Agreement in the form attached hereto as **Annex A**, or in such other form as may be approved by the Committee from time to time (the "***Exercise Agreement***") and payment for the shares being purchased in accordance with this Agreement. The Exercise Agreement shall set forth, among other things, (i) Optionee's election to exercise this Option, (ii) the number of Shares being purchased, (iii) any representations, warranties and agreements regarding Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws in connection with any exercise of this Option and (iv) any other agreements required by the Company. If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise this Option and such person shall be subject to all of the restrictions contained herein as if such person were Optionee.

4.2 Limitations on Exercise. This Option may not be exercised unless such exercise is in compliance with all applicable foreign and U.S. Federal and state securities laws, as they are in effect on the date of exercise.

4.3 Payment. The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the shares being purchased in cash (by check or wire transfer), or where permitted by law:

(a) by cancellation of indebtedness of the Company owed to Optionee;

(b) by surrender of shares of the Company that are free and clear of all security interests, pledges, liens, claims or encumbrances and: (i) for which the Company has received "full payment of the purchase price" within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or (ii) that were obtained by Optionee in the public market;

(c) by participating in a formal cashless exercise program implemented by the Committee in connection with the Plan;

(d) provided that a public market for the Ordinary Shares exists and subject to compliance with applicable law, by exercising as set forth below, through a "same day sale" commitment from Optionee and a broker-dealer whereby Optionee irrevocably elects to exercise this Option and to sell a portion of the Shares so purchased sufficient to pay the total Exercise Price, and whereby the broker-dealer irrevocably commits upon receipt of such Shares to forward the total Exercise Price directly to the Company; or

(e) by any combination of the foregoing or any other method of payment approved by the Committee that constitutes legal consideration for the issuance of Shares.

4.4 Tax Withholding. As a condition to the exercise of this Option and as further set forth in Section 4.5 of this Agreement, Optionee agrees to make adequate provision for all applicable income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Option and Optionee's participation in the Plan ("***Tax-Related Items***").

4.5 Responsibility for Taxes. Prior to issuance of the Shares upon exercise of the Option, Optionee must pay or provide for any applicable federal, state and local withholding obligations of the Company or, if different, Optionee's employer (the "***Employer***"). Optionee acknowledges that, regardless of any action taken by the Employer or the Company (or any Subsidiary or Parent or Affiliate of the Company), the ultimate liability for all Tax-Related Items is and remains Optionee's responsibility and may exceed the amount actually withheld by the Company, the Employer or any Subsidiary, Parent or Affiliate. Optionee further acknowledges that the Company, the Employer or any Subsidiary or Parent or Affiliate of the Company (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Optionee's liability for Tax-Related Items or achieve any particular tax result. Further, if Optionee is subject to Tax-Related Items in more than one jurisdiction, as applicable, Optionee acknowledges that the Company, the Employer or any Subsidiary or Parent or Affiliate of the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction. Prior to the relevant taxable or tax withholding event, as applicable, Optionee agrees to make adequate arrangements satisfactory to the Company, the Employer or any Subsidiary, Parent or Affiliate to satisfy all Tax-Related Items. In this regard, Optionee authorizes the Company, the Employer or any Subsidiary or Parent or Affiliate of the Company, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by withholding from: (i) a cash payment paid by the Optionee; (ii) Optionee's wages or other cash compensation paid to Optionee, (iii) proceeds of the sale of Shares acquired at exercise of the Option either through a cashless exercise (provided that a public market for the Common Stock exists) or other voluntary sale or through a mandatory sale arranged by the Company (on Optionee's behalf pursuant to this authorization) without further consent; and/or (iv) if approved by the Committee, the Shares to be issued upon exercise having a Fair Market Value equal to up to the amount of Tax-Related Items required to be withheld using the maximum applicable tax rate or other metric required under applicable accounting rules. If the Company withholds or accounts for Tax-Related Items by withholding from the proceeds of the sale of Shares, the Company may consider and apply the maximum applicable rate in the applicable country, in which case Optionee will receive a refund of any over-withheld amount in cash and will have no entitlement to the

common share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Optionee is deemed to have been issued the full number of Shares subject to the exercised Options, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. Finally, the Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Optionee fails to comply with his or her obligations in connection with the Tax-Related Items.

4.6 Issuance of Shares. Provided that the Exercise Agreement and payment and provision for Tax-Related Items are in form and substance satisfactory to counsel for the Company, the Company shall issue the Shares issuable upon a valid exercise of this Option registered in the name of Optionee, Optionee's authorized assignee, or Optionee's legal representative, and shall deliver certificates representing the Shares with the appropriate legends affixed thereto.

5. COMPLIANCE WITH LAWS AND REGULATIONS. The Plan and this Agreement are intended to comply with Section 25102(o) and Rule 701. Any provision of this Agreement that is inconsistent with Section 25102(o) or Rule 701 shall, without further act or amendment by the Company or the Committee, be reformed to comply with the requirements of Section 25102(o) and/or Rule 701, to the extent such requirements are applicable. The exercise of this Option and the issuance and transfer of Shares shall be subject to compliance by the Company and Optionee with all applicable requirements of foreign and U.S. Federal and state securities laws and with all applicable requirements of any stock exchange on which the Ordinary Shares may be listed at the time of such issuance or transfer. Optionee understands that the Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

6. NONTRANSFERABILITY OF OPTION. This Option may not be transferred in any manner other than by will or by the laws of descent and distribution, and, with respect to NQSOs, by instrument to a testamentary trust in which the options are to be passed to beneficiaries upon the death of the trustor (settlor) or a revocable trust, or by gift to "immediate family" as that term is defined in 17 C.F.R. 240.16a-1(e), and may be exercised during the lifetime of Optionee only by Optionee or in the event of Optionee's incapacity, by Optionee's legal representative. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

7. RESTRICTIONS ON TRANSFER.

7.1 Disposition of Shares. Optionee hereby agrees that Optionee shall make no disposition of any of the Shares (other than as permitted by this Agreement) unless and until:

(a) Optionee shall have notified the Company of the proposed disposition and provided a written summary of the terms and conditions of the proposed disposition;

(b) Optionee shall have complied with all requirements of this Agreement applicable to the disposition of the Shares;

(c) Optionee shall have provided the Company with written assurances, in form and substance satisfactory to counsel for the Company, that (i) the proposed disposition does not require registration of the Shares under the Securities Act or under any applicable state or foreign securities laws or (ii) all appropriate actions necessary for compliance with the registration requirements of the Securities Act or of any exemption from registration available under the Securities Act (including Rule 144) or applicable state or foreign securities laws have been taken; and

(d) Optionee shall have provided the Company with written assurances, in form and substance satisfactory to the Company, that the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Shares pursuant to applicable securities laws or adversely affect the Company's ability to rely on the exemption(s) from registration under the Securities Act or under any other applicable securities laws for the grant of the Option, the issuance of Shares thereunder or any other issuance of securities under the Plan.

7.2 Restriction on Transfer. Optionee shall not transfer, assign, grant a lien or security interest in, pledge, hypothecate, encumber or otherwise dispose of any of the Shares which are subject to the Company's Right of First Refusal described below, except as permitted by this Agreement.

7.3 Transferee Obligations. Each person (other than the Company) to whom the Shares are transferred by means of one of the permitted transfers specified in this Agreement must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that such person is bound by the provisions of this Agreement and that the transferred Shares are subject to (i) the Company's Right of First Refusal granted hereunder and (ii) the market stand-off provisions of Section 8 below, to the same extent such Shares would be so subject if retained by Optionee.

8. MARKET STANDOFF AGREEMENT. Optionee agrees that, subject to any early release provisions that apply pro rata to shareholders of the Company according to their holdings of Ordinary Shares (determined on an as-converted into Ordinary Shares basis), Optionee will not, for a period of up to one hundred eighty (180) days (plus up to an additional thirty five (35) days to the extent reasonably requested by the Company or such underwriter(s) to accommodate regulatory restrictions on the publication or other distribution of research reports or earnings releases by the Company, including NASD and NYSE rules) following the effective date of the registration statement filed with, and declared effective by, the SEC relating to the initial underwritten sale of Ordinary Shares of the Company to the public under the Securities Act or, if such public offering is outside the United States, filed with and declared effective by the relevant regulatory authority (the "***IPO***"), directly or indirectly sell, offer to sell, grant any option for the sale of, or otherwise dispose of any Ordinary Shares or securities convertible into Ordinary Shares, except for: (i) transfers of Shares permitted under Section 9.6 hereof so long as such transferee furnishes to the Company and the managing underwriter their written consent to be bound by this Section 8 as a condition precedent to such transfer; and (ii) sales of any securities to be included in the registration statement for the IPO. For the avoidance of doubt, the provisions of this Section shall only apply to the IPO. The restricted period shall in any event terminate two (2) years after the closing date of the IPO. In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the Shares subject to this Section and to impose stop transfer instructions with respect to the Shares until the end of such period. Optionee further agrees to enter into any agreement reasonably required by the underwriters to implement the foregoing restrictions on transfer. For the avoidance of doubt, the foregoing provisions of this Section shall not apply to any registration of securities of the Company (a) under an employee benefit plan or (b) in a merger, consolidation, business combination or similar transaction.

9. COMPANY'S RIGHT OF FIRST REFUSAL. Before any Shares held by Optionee or any transferee of such Shares (either sometimes referred to herein as the "***Holder"***) may be sold or otherwise transferred (including, without limitation, a transfer by gift or operation of law), the Company and/or its assignee(s) will have a right of first refusal to purchase the Shares to be sold or transferred (the "***Offered Shares"***) on the terms and conditions set forth in this Section (the "***Right of First Refusal"***).

9.1 Notice of Proposed Transfer. The Holder of the Offered Shares will deliver to the Company a written notice (the "***Notice"***) stating: (i) the Holder's bona fide intention to sell or otherwise transfer the Offered Shares; (ii) the name and address of each proposed purchaser or other transferee (the "***Proposed Transferee"***); (iii) the number of Offered Shares to be transferred to each Proposed Transferee; (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Offered Shares (the "***Offered Price"***); and (v) that the Holder acknowledges this Notice is an offer to sell the Offered Shares to the Company and/or its assignee(s) pursuant to the Company's Right of First Refusal at the Offered Price as provided for in this Agreement.

9.2 Exercise of Right of First Refusal. At any time within thirty (30) days after the date of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all (or, with the consent of the Holder, less than all) the Offered Shares proposed to be transferred to any one or more of the Proposed Transferees named in the Notice, at the purchase price, determined as specified below.

9.3 Purchase Price. The purchase price for the Offered Shares purchased under this Section will be the Offered Price, *provided* that if the Offered Price consists of no legal consideration (as, for example, in the case of a transfer by gift) then the purchase price will be the fair market value of the Offered Shares as determined in good faith by the Committee. If the Offered Price includes consideration other than cash, then the value of the non-cash consideration, as determined in good faith by the Committee, will conclusively be deemed to be the cash equivalent value of such non-cash consideration.

9.4 Payment. Payment of the purchase price for the Offered Shares will be payable, at the option of the Company and/or its assignee(s) (as applicable), by check or by cancellation of all or a portion of any outstanding purchase money indebtedness owed by the Holder to the Company (or to such assignee, in the case of a purchase of Offered Shares by such assignee) or by any combination thereof. The purchase price will be paid without interest within sixty (60) days after the Company's receipt of the Notice, or, at the option of the Company and/or its assignee(s), in the manner and at the time(s) set forth in the Notice.

9.5 Holder's Right to Transfer. If all of the Offered Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Offered Shares to each Proposed Transferee at the Offered Price or at a higher price, *provided* that (i) such sale or other transfer is consummated within ninety (90) days after the date of the Notice, (ii) any such sale or other transfer is effected in compliance with all applicable securities laws, and (iii) each Proposed Transferee agrees in writing that the provisions of this Section will continue to apply to the Offered Shares in the hands of such Proposed Transferee. If the Offered Shares described in the Notice are not transferred to each Proposed Transferee within such ninety (90) day period, then a new Notice must be given to the Company pursuant to which the Company will again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

9.6 Exempt Transfers. Notwithstanding anything to the contrary in this Section, the following transfers of Shares will be exempt from the Right of First Refusal: (i) the transfer of any or all of the Shares during Optionee's lifetime by gift or on Optionee's death by will or intestacy to any member(s) of Optionee's "Immediate Family" (as defined below) or to a trust for the benefit of Optionee and/or member(s) of Optionee's Immediate Family, *provided* that each transferee or other recipient agrees in a writing satisfactory to the Company that the provisions of this Section will continue to apply to the transferred Shares in the hands of such transferee or other recipient; (ii) any transfer of Shares made pursuant to a statutory merger, statutory consolidation of the Company with or into another corporation or corporations or a conversion of the Company into another form of legal entity (except that the Right of First Refusal will continue to apply thereafter to such Shares, in which case the surviving corporation of such merger or consolidation or the resulting entity of such conversion shall succeed to the rights of the Company under this Section unless the agreement of merger or consolidation or conversion expressly otherwise provides); or (iii) any transfer of Shares pursuant to the winding up and dissolution of the Company. As used herein, the term "***Immediate Family"*** will mean Optionee's spouse, the lineal descendant or antecedent, father, mother, brother or sister, child, adopted child, grandchild or adopted grandchild of Optionee or Optionee's spouse, or the spouse of any of the above or Spousal Equivalent, as defined herein. As used herein, a person is deemed to be a "***Spousal Equivalent"*** provided the following circumstances are true: (i) irrespective of whether or not Optionee and the Spousal Equivalent are the same sex, they are the sole spousal equivalent of the other for the last twelve (12) months, (ii) they intend to remain so indefinitely, (iii) neither are married to anyone else, (iv) both are at least 18 years of age and mentally competent to consent to contract, (v) they are not related by blood to a degree of closeness that

which would prohibit legal marriage in the state in which they legally reside, (vi) they are jointly responsible for each other's common welfare and financial obligations, and (vii) they reside together in the same residence for the last twelve (12) months and intend to do so indefinitely.

9.7 Termination of Right of First Refusal. The Right of First Refusal will terminate as to all Shares: (i) on the effective date of the first sale of Ordinary Shares of the Company to the general public pursuant to a registration statement filed with and declared effective by the SEC under the Securities Act (other than a registration statement relating solely to the issuance of Ordinary Shares pursuant to a business combination or an employee incentive or benefit plan); (ii) on any transfer or conversion of Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations if the ordinary shares of the surviving corporation or any direct or indirect parent corporation thereof is registered under the Exchange Act; or (iii) on any transfer or conversion of Shares made pursuant to a statutory conversion of the Company into another form of legal entity if the common equity (or comparable equity security) of entity resulting from such conversion is registered under the Exchange Act.

9.8 Encumbrances on Shares. Optionee may grant a lien or security interest in, or pledge, hypothecate or encumber Shares only if each party to whom such lien or security interest is granted, or to whom such pledge, hypothecation or other encumbrance is made, agrees in a writing satisfactory to the Company that: (i) such lien, security interest, pledge, hypothecation or encumbrance will not adversely affect or impair the Right of First Refusal or the rights of the Company and/or its assignee(s) with respect thereto and will not apply to such Shares after they are acquired by the Company and/or its assignees under this Section; and (ii) the provisions of this Agreement will continue to apply to such Shares in the hands of such party and any transferee of such party.

9.9 Effect of Company Co-Sale Agreement. If Optionee is, or at any time hereafter becomes, a party to or otherwise bound by (i) the Company's Right of First Refusal and Co-Sale Agreement dated as of April 7, 2017 among the Company and certain shareholders of the Company, as such may be amended and/or restated from time to time, and/or (ii) any other agreement that is a successor to or replacement of such agreement (collectively, the "***Company Co-Sale Agreement***"), then, in the event of any conflict or inconsistency between the provisions of Section 8 hereof and/or this Section 9 and any provisions in the Company Co-Sale Agreement granting the Company and/or other security holders of the Company rights of first refusal and/or co-sale rights with respect to any or all of the Shares or imposing market stand-off restrictions, Optionee agrees with the Company that the terms and conditions of the Company Co-Sale Agreement shall apply, govern, supersede and prevail over (and in lieu of) the provisions of Section 8 hereof and/or of this Section 9 (as applicable) so long as the Company Co-Sale Agreement is in effect and Optionee is a party to or bound thereby. If the Company Co-Sale Agreement is no longer in effect or if Optionee is not a party to or bound thereby, then the provisions of this Section 9 shall apply in full force and effect until termination of the Right of First Refusal and the provisions of Section 8 hereof shall apply in full force and effect in accordance with its terms.

10. RIGHTS AS A SHAREHOLDER. Optionee shall not have any of the rights of a shareholder with respect to any Shares unless and until such Shares are issued to Optionee. Subject to the terms and conditions of this Agreement, Optionee will have all of the rights of a shareholder of the Company with respect to the Shares from and after the date that Shares are issued to Optionee pursuant to, and in accordance with, the terms of the Exercise Agreement until such time as Optionee disposes of the Shares or the Company and/or its assignee(s) exercise(s) the Right of First Refusal. Upon an exercise of the Right of First Refusal, Optionee will have no further rights as a holder of the Shares so purchased upon such exercise, other than the right to receive payment for the Shares so purchased in accordance with the provisions of this Agreement, and Optionee will promptly surrender the share certificate(s) evidencing the Shares so purchased to the Company for transfer or cancellation.

11. ESCROW. As security for Optionee's faithful performance of this Agreement, Optionee agrees, immediately upon receipt of the share certificate(s) evidencing the Shares, to deliver such certificate(s) to the Secretary of the Company or other designee of the Company (the "***Escrow Holder***"), who is hereby appointed to hold such certificate(s) in escrow and to take all such actions and to effectuate all such transfers and/or releases of such Shares as are in accordance with the terms of this Agreement. Optionee and the Company agree that Escrow Holder will not be liable to any party to this Agreement (or to any other party) for any actions or omissions unless Escrow Holder is grossly negligent or intentionally fraudulent in carrying out the duties of Escrow Holder under this Agreement. Escrow Holder may rely upon any letter, notice or other document executed with any signature purported to be genuine and may rely on the advice of counsel and obey any order of any court with respect to the transactions contemplated by this Agreement and will not be liable for any act or omission taken by Escrow Holder in good faith reliance on such documents, the advice of counsel or a court order. The Shares will be released from escrow upon termination of the Right of First Refusal.

12. COMPANY CO-SALE AGREEMENT AND VOTING AGREEMENT. As a material inducement and consideration for the Company to enter into this Agreement, Optionee hereby agrees that if, the Company requests Optionee to enter into and become a party to (a) the Company Co-Sale Agreement (and to subject the Shares to the rights of first refusal held by the Company and other Company investors thereunder and the co-sale rights of other investors thereunder and pursuant to which Optionee would agree to vote all Company shares held by Optionee in favor of certain material transactions, such as mergers or sales of the Company) and/or (b) the Company Voting Agreement (pursuant to which Optionee would agree to vote all Company shares held by Optionee for the election of directors), then Optionee will enter into such agreements and execute and deliver signature pages thereto (as requested by the Company) in such capacities as the Company requests, at the time of exercising this Option and as a condition to such exercise or at any later time.

13. RESTRICTIVE LEGENDS AND STOP-TRANSFER ORDERS.

13.1 Legends. Optionee understands and agrees that the Company will place the legends set forth below or similar legends on any share certificate(s) evidencing the Shares, together with any other legends that may be required by state or U.S. Federal securities laws, the Company's Memorandum and Articles of Association, any other agreement between Optionee and the Company, or any agreement between Optionee and any third party (and any other legend(s) that the Company may become obligated to place on the share certificate(s) evidencing the Shares under the terms of any agreement to which the Company is or may become bound or obligated):

(a) THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

(b) THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON RESALE AND TRANSFER, INCLUDING THE RIGHT OF FIRST REFUSAL HELD BY THE ISSUER AND/OR ITS ASSIGNEE(S) AS SET FORTH IN A STOCK OPTION AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH SALE AND TRANSFER RESTRICTIONS, INCLUDING THE RIGHT OF FIRST REFUSAL, ARE BINDING ON TRANSFEREES OF THESE SHARES.

(c) THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A MARKET STANDOFF RESTRICTION AS SET FORTH IN A CERTAIN STOCK OPTION AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. AS A RESULT OF SUCH AGREEMENT, THESE SHARES MAY NOT BE TRADED PRIOR TO 180 DAYS (AND POSSIBLY LONGER) AFTER THE EFFECTIVE DATE OF CERTAIN PUBLIC OFFERINGS OF THE ORDINARY SHARES OF THE ISSUER HEREOF. SUCH RESTRICTION IS BINDING ON TRANSFEREES OF THESE SHARES.

Optionee agrees that if Optionee becomes a party to (i) the Company Co-Sale Agreement or (ii) (A) the Company's Voting Agreement dated as of April 7, 2017 among the Company and certain shareholders of the Company, as such may be amended and/or restated from time to time, and/or (B) any other voting agreement that is a successor to or replacement of such agreement (collectively, the "***Company Voting Agreement***"), then Optionee agrees that the share certificate(s) evidencing the Shares shall, in addition, bear any legends required under the Company Co-Sale Agreement and/or the Company Voting Agreement, as applicable.

13.2 Stop-Transfer Instructions. Optionee agrees that, to ensure compliance with the restrictions imposed by this Agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent, if any, and if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

13.3 Refusal to Transfer. The Company will not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares, or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares have been so transferred.

14. TAX ADVICE. OPTIONEE SHOULD CONSULT A TAX ADVISER APPROPRIATELY QUALIFIED IN THE COUNTRY OR COUNTRIES IN WHICH THE OPTIONEE RESIDES OR IS SUBJECT TO TAXATION BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

Optionee has obtained any necessary advice from an appropriate independent professional adviser in relation to the taxation and social contributions or taxation implications of the grant, exercise, assignment, release, cancellation or any other disposal of this Option pursuant to the Plan and on any subsequent sale of the Shares. In signing and returning this Agreement, the Optionee is confirming that appropriate advice has been sought from an independent adviser. The Company has not made any representation regarding applicable taxation implications.

15. GENERAL PROVISIONS.

15.1 Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Optionee.

15.2 Entire Agreement. The Plan, the Grant Notice and the Exercise Agreement are each incorporated herein by reference. This Agreement, the Grant Notice, the Plan and the Exercise Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede all prior undertakings and agreements with respect to such subject matter.

16. 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) at the time an electronic confirmation of receipt is received, if delivery is by email; (iii) at the time of transmission by facsimile, addressed to the other party at its facsimile number specified herein (or hereafter modified by subsequent notice to the parties hereto), with confirmation of receipt made by both telephone and printed confirmation sheet verifying successful transmission of the facsimile; (iv) one (1) business day after deposit with an express overnight courier for United States deliveries, or two (2) business days after such deposit for deliveries outside of the United States, with proof of delivery from the courier requested; or (v) three (3) business days after deposit in the United States mail by certified mail (return receipt requested) for United States deliveries. Any notice for delivery outside the United States will be sent by email, facsimile or by express courier. Any notice not delivered personally or by email will be sent with postage and/or other charges prepaid and properly addressed to Optionee at the last known address or facsimile number on the books of the Company, or at such other address or facsimile number as such other party may designate by one of the indicated means of notice herein to the other parties hereto or, in the case of the Company, to it at its principal place of business. Notices to the Company will be marked "Attention: Chief Financial Officer." Notices by facsimile shall be machine verified as received.

17. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Agreement including its rights to purchase Shares under the Right of First Refusal. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's heirs, executors, administrators, legal representatives, successors and assigns.

18. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

19. ADDENDUM. Notwithstanding any provisions in this Agreement, the Option grant shall be subject to any special terms and conditions set forth in the Addendum for Country-Specific Terms and Conditions to this Agreement for Optionee's country. Moreover, if Optionee relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to Optionee to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

20. FURTHER ASSURANCES. The parties agree to execute such further documents and instruments and to take such further actions as may be reasonably necessary to carry out the purposes and intent of this Agreement.

21. TITLES AND HEADINGS. The titles, captions and headings of this Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Agreement. Unless otherwise specifically stated, all references herein to "sections" and "exhibits" will mean "sections" and "exhibits" to this Agreement.

22. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together shall constitute one and the same agreement.

23. PERSONAL DATA AUTHORIZATION. Optionee hereby explicitly and unambiguously consent to the collection, processing, use and transfer, in electronic or other form, of Optionee's personal data as described in this Agreement and any other award materials by and among, as applicable, the Company, or, if different, Optionee's employer (the "***Employer***"), and its Subsidiaries or Parent for the exclusive purpose of implementing, administering and managing Optionee's participation in the Plan. Optionee understands that the Company and the Employer may hold certain personal information about Optionee, including but not limited to, Optionee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all awards or any other entitlement to shares of Common Stock granted, canceled, exercised, vested, unvested or outstanding in Optionee's favor, for the exclusive purpose of implementing, administering and managing the Plan (collectively, "***Data***"). Optionee understands that Data will be transferred to any third parties assisting the Company with the implementation, administration and management of the Plan. Optionee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than Optionee's country. Optionee understands that Optionee may request a list with the names and addresses of any potential recipients of the Data by contacting Optionee's local human resources representative. Optionee authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing Optionee's participation in the Plan. Optionee understands that Data will be held only as long as is necessary to implement, administer and manage Optionee's participation in the Plan. Optionee understands that Optionee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Optionee's local human resources representative. Optionee understands, however, that refusing or withdrawing Optionee's consent may affect Optionee's ability to participate in the Plan. For more information on the consequences of Optionee's refusal to consent or withdrawal of consent, Optionee understands that Optionee may contact Optionee's local human resources representative.

24. SEVERABILITY. If any provision of this Agreement is determined by any court or arbitrator of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, such provision shall be stricken from this Agreement and the remainder of this Agreement shall be enforced as if such invalid, illegal or unenforceable clause or provision had (to the extent not enforceable) never been contained in this Agreement. Notwithstanding the forgoing, if the value of this Agreement based upon the substantial benefit of the bargain for any party is materially impaired, which determination as made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.

25. REGULATION S REPRESENTATIONS AND RESTRICTIONS. If Optionee's address is an address located outside of the United States, Optionee makes the following additional representations, warranties and agreements:

25.1 Non-US. Optionee is not a U.S. Person as defined in Rule 902(k) of Regulation S under the Securities Act ("***Regulation S***"). The offer and sale of the Purchased Shares to Optionee was made in an offshore transaction (as defined in Rule 902(h) of Regulation S), no directed selling efforts (as defined in Rule 902(c) of Regulation S) were made in the United States, and Optionee is not acquiring the Purchased Shares for the account or benefit of any U.S. Person.

25.2 No Offer or Sale. Optionee will not, during the restricted period applicable to the Purchased Shares set forth in the legend below (the "***Restricted Period***") and any certificate representing the Purchased Shares, offer or sell any of the foregoing securities (or create or maintain any derivative position equivalent thereto) in the United States, to or for the account or benefit of a U.S. Person or other than in accordance with Regulation S.

25.3 Registration or Exemption. Optionee will, after the expiration of the applicable Restricted Period, offer, sell, pledge or otherwise transfer the Purchased Shares (or create or maintain any derivative position equivalent thereto) only pursuant to registration under the Securities Act or any available exemption therefrom and, in any case, in accordance with applicable foreign and state securities laws.

25.4 No Transfer in Violation of Restrictions; Legend. Optionee acknowledges and agrees that the Company shall not register the transfer of the Purchased Shares in violation of these restrictions. Optionee acknowledges and agrees that the certificates evidencing the Purchased Shares will bear the legend set forth below (in addition to any other legend required by applicable U.S. federal, state or foreign securities laws or provided in any other agreement with the Company):

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***ACT***") WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AND THE COMPANY DOES NOT INTEND TO REGISTER THEM. PRIOR TO A DATE THAT IS ONE-YEAR STARTING FROM THE DATE OF SALE OF THE STOCK, THE SHARES MAY NOT BE OFFERED OR SOLD (INCLUDING OPENING A SHORT POSITION IN SUCH SECURITIES) IN THE UNITED STATES OR TO U.S. PERSONS AS DEFINED BY RULE 902(k) ADOPTED UNDER THE ACT, OTHER THAN TO DISTRIBUTORS, UNLESS THE SHARES ARE REGISTERED UNDER THE ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT IS AVAILABLE. PARTICIPANTS OF SHARES PRIOR TO ONE-YEAR STARTING FROM THE DATE OF SALE OF THE STOCK, MAY RESELL SUCH SECURITIES ONLY PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT OR OTHERWISE IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S OF THE ACT, OR IN TRANSACTIONS EFFECTED OUTSIDE OF THE UNITED STATES PROVIDED THEY DO NOT SOLICIT (AND NO ONE ACTING ON THEIR BEHALF SOLICITS) PARTICIPANTS IN THE UNITED STATES OR OTHERWISE ENGAGE(S) IN SELLING EFFORTS IN THE UNITED STATES AND PROVIDED THAT HEDGING TRANSACTIONS INVOLVING THESE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE ACT. A HOLDER OF THE SECURITIES WHO IS A DISTRIBUTOR, DEALER, SUB-UNDERWRITER OR OTHER SECURITIES PROFESSIONAL, IN ADDITION, CANNOT PRIOR TO ONE-YEAR STARTING FROM THE DATE OF SALE OF THE STOCK RESELL THE SECURITIES TO A U.S. PERSON AS DEFINED BY RULE 902(k) OF REGULATION S UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION UNDER THE ACT IS AVAILABLE.

* * * * *

Attachments: Addendum

Annex A: Form of Stock Option Exercise Notice and Agreement

TERNS PHARMACEUTICALS, INC.

ADDENDUM

COUNTRY-SPECIFIC TERMS AND CONDITIONS

FOR OPTIONEES OUTSIDE THE U.S.

Terms and Conditions

This Addendum includes additional terms and conditions that govern the Option granted to Optionee under the Plan if Optionee resides and/or works in one of the countries listed below. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan and/or the Agreement to which this Addendum is attached.

If Optionee is a citizen or resident of a country other than the one in which he or she is currently working and/or residing, transfers to another country after the Date of Grant, is a consultant, changes employment status to a consultant position, or is considered a resident of another country for local law purposes, the Company shall, in its discretion, determine the extent to which the special terms and conditions contained herein shall be applicable to Optionee. References to Optionee's Employer shall include any entity that engages Optionee's services.

In accepting this Option, Optionee acknowledges, understands and agrees that:

a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;

c) all decisions with respect to future Option or other grants, if any, will be at the sole discretion of the Company;

d) the Option grant and Optionee's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, or, if different, Optionee's Employer, or any Subsidiary or Parent or Affiliate of the Company, and shall not interfere with the ability of the Company, the Employer or any Subsidiary or Parent or Affiliate of the Company, as applicable, to provide for a Termination of Optionee's service;

e) Optionee is voluntarily participating in the Plan;

f) the Option and any Shares acquired under the Plan are not intended to replace any pension rights or compensation;

g) the Option and any Shares acquired under the Plan and the income and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

h) the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;

i) if the underlying Shares do not increase in value, the Option will have no value;

j) if Optionee exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;

k) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the Termination of Optionee's service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Optionee is employed or the terms of Optionee's employment agreement, if any), and in consideration of the grant of the Option to which Optionee is otherwise not entitled, Optionee irrevocably agrees never to institute any claim against the Company, any of its Parent, Subsidiaries, or Affiliates or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company, its Parent, Subsidiaries, or Affiliates and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Optionee shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;

l) for purposes of the Option, Optionee's service will be considered Terminated as of the date Optionee is no longer actively providing services to the Company or any of its Parent, Subsidiaries, or Affiliates of the Employer (regardless of the reason for such Termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Optionee is employed or the terms of Optionee's employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by the Company, (i) Optionee's right to vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Optionee's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Optionee is employed or the terms of Optionee's employment agreement, if any); and (ii) the period (if any) during which Optionee may exercise the Option after such termination of Optionee's service will commence on the date Optionee ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Optionee is employed or terms of Optionee's employment agreement, if any; the Committee shall have the exclusive discretion to determine when Optionee is no longer actively providing services for purposes of his or her Option grant (including whether Optionee may still be considered to be providing services while on a leave of absence);

m) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company;

n) the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purpose; and

o) neither the Company, the Employer nor any Parent, Subsidiary or Affiliate of the Company shall be liable for any foreign exchange rate fluctuation between Optionee's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Optionee pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise.

Notifications

This Addendum also includes information regarding exchange controls and certain other issues of which Optionee should be aware with respect to Optionee's participation in the Plan. The information is provided solely for the convenience of Optionee and is based on the securities, exchange control and other laws in effect in the respective countries as of January 2017. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Optionee not rely on the information noted herein as the only source of information relating to the consequences of Optionee's participation in the Plan because the information may be out of date by the time Optionee vests in or exercises this Option or sells any exercised Shares.

In addition, the information contained in this Addendum is general in nature and may not apply to Optionee's particular situation, and the Company is not in a position to assure Optionee of any particular result. Accordingly, Optionee is advised to seek appropriate professional advice as to how the applicable laws in his or her country may apply to his or her situation.

Finally, Optionee understands that if he or she is a citizen or resident of a country other than the one in which he or she is currently residing and/or working, transfers to another country after the Date of Grant, or is considered a resident of another country for local law purposes, the notifications contained herein may not be applicable to Optionee in the same manner.

CHINA

Terms and Conditions

Restrictions on Exercise. The following provisions apply to Optionee if Optionee is a PRC national:

Due to legal restrictions, the Option shall become exercisable by Optionee only at such time as (1) the Shares are publicly traded, quoted or listed on a recognized exchange or securities market, (2) the Shares are not subject to a market stand-off or lock-up agreement and (3) all necessary exchange control and other approvals from the State Administration of Foreign Exchange (the "***SAFE***") of the People's Republic of China ("***PRC***") or its local counterpart have been received for Options granted under the Plan (such date of becoming exercisable, the "***Liquidity Date***"). In the case of a "combination transaction" (as defined in the Plan), the Option and the Shares shall be treated as provided in the Plan.

In the event that Optionee's employment or service with the Company or any Subsidiary or Parent terminates, all unvested portions of the Shares subject to the Options will be forfeited and Optionee must exercise any vested Options within such time set forth in the Notice and Agreement and in compliance with exchange controls. However, if Optionee's employment or service with the Company or any Subsidiary or Parent terminates prior to the Liquidity Date, the Company, reserves the right, but not the obligation, to allow additional forms of payment by Optionee depending on the development of local law.

Notwithstanding anything in the Agreement or this Addendum to the contrary, the Option may not be exercised if (i) if the issuance of such Shares upon such exercise or (ii) the method of payment of consideration for such shares would constitute a violation of any applicable law.

Transfer and/or Disposition of Shares. The Company may require Optionee to hold Shares acquired pursuant to exercise of the Option with an escrow agent designated by the Company and/or require Optionee to transfer or sell the Shares pursuant to such policies and procedures as the Company deems appropriate from time to time, including any procedures necessary to obtain approval from the SAFE or its local agency for the acquisition and disposition of the Shares by Optionee. The Company may require that all proceeds received from the Option be remitted to the PRC if the Company deems such action is necessary or appropriate to comply with applicable law.

Optionee must sell, transfer or otherwise dispose of the Shares acquired pursuant to the exercise of the Option in such manner and subject to such terms and conditions as the Committee determines within such period of time as the Committee may designate from time to time to comply with applicable laws, including requirements and conditions relating to SAFE registration (the "***Disposition Deadline***"). Optionee hereby authorizes the Company and appoints the Company as its attorney-in-fact to sell on Optionee's behalf any Shares held by Optionee after the Disposition Deadline, without any further action, consent or instruction by Optionee. Optionee hereby acknowledges and agrees that the Company will not be held liable to Optionee with respect to its actions relating to the sale, transfer or disposition of Shares after the Disposition Deadline.

Exchange Control Obligations. The following provision applies to Optionee if Optionee is a PRC national and is provided for informational purposes only:

Following the exercise of the Option and sale of Shares, Optionee must comply with any exchange control repatriation requirements. If Optionee resides in the PRC, Optionee may be required to repatriate to the PRC all proceeds due to Optionee under the Plan, and such repatriation may need to be effected through a special exchange control account established by the Company or its Parent or Subsidiary in the PRC. In such circumstances, Optionee agrees that the proceeds of the sale of Shares may be transferred

to such special account prior to being delivered to Optionee. Optionee further agrees to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with PRC exchange control requirements.

The following provision applies to Optionee if Optionee is a non-PRC national:

Optionee understands, acknowledges and agrees that certain exchange control restrictions may apply, including requirements regarding the remittance of funds out of China to pay the Exercise Price and the remittance into China of any sale proceeds paid on Shares acquired under the Plan. Optionee further agrees to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements.

ANNEX A

FORM OF STOCK OPTION EXERCISE NOTICE AND AGREEMENT

STOCK OPTION EXERCISE NOTICE AND AGREEMENT

(INTERNATIONAL OPTIONEES)

TERNS PHARMACEUTICALS, INC.

2017 EQUITY INCENTIVE PLAN

NOTE: *You must sign this Notice on Page 3 before submitting it to Terns Pharmaceuticals, Inc. (the "Company") AND, if requested to do so by the Company, you must also sign the signature pages to the Company's then-current Company Co-Sale Agreement and Company Voting Agreement (as those terms are defined in the Stock Option Agreement) before submitting this Notice to the Company.

OPTIONEE INFORMATION: *Please provide the following information about yourself ("**Optionee**")*:

Name: _____ Social Security Number: _____

Address: _____ Employee Number: _____

_____ Email Address: _____

OPTION INFORMATION: *Please provide this information on the option being exercised* (*the "**Option**"*):

Grant No.

Date of Grant: Type of Stock Option:

Option Price per Share: $____ ☐ Nonqualified (NQSO)

Total number of Ordinary Shares of the Company subject to the Option: ☐ Incentive (ISO)

EXERCISE INFORMATION:

Number of Ordinary Shares of the Company for which the Option is now being exercised [_____]. (These shares are referred to below as the "***Purchased Shares***.")

Total Exercise Price Being Paid for the Purchased Shares: $_____

Form of payment enclosed ***[check all that apply]***, availability of which is subject to the Addendum for Country-Specific Terms and Conditions attached to the Stock Option Agreement for Optionee's country:

☐ Check for $_____, payable to "***Terns Pharmaceuticals, Inc.***"
☐ Certificate(s) for _____ Ordinary Shares of the Company. These shares will be valued as of the date this notice is received by the Company. ***[Requires Company consent.]***

AGREEMENTS, REPRESENTATIONS AND ACKNOWLEDGMENTS OF OPTIONEE: By signing this Stock Option Exercise Notice and Agreement, Optionee hereby agrees with, and represents to, the Company as follows:

1. **Terms Governing.** I acknowledge and agree with the Company that I am acquiring the Purchased Shares by exercise of this Option subject to all other terms and conditions of the Notice of Stock Option Grant and the Stock Option Agreement that govern the Option, including without limitation the terms of the Company's 2017 Equity Incentive Plan, as it may be amended (the "***Plan***").

2. **Investment Intent; Securities Law Restrictions.** I represent and warrant to the Company that I am acquiring and will hold the Purchased Shares for investment for my account only, and not with a view to, or for resale in connection with, any "distribution" of the Purchased Shares within the meaning of the Securities Act of 1933, as amended (the "***Securities Act***"). I understand that the Purchased Shares have not been registered under the Securities Act by reason of a specific exemption from such registration requirement and that the Purchased Shares must be held by me indefinitely, unless they are subsequently registered under the Securities Act or I obtain an opinion of counsel (in form and substance satisfactory to the Company and its counsel) that registration is not required. I acknowledge that the Company is under no obligation to register the Purchased Shares under the Securities Act or under any other securities law.

3. **Restrictions on Transfer: Rule 144.** I will not sell, transfer or otherwise dispose of the Purchased Shares in violation of the Securities Act, the Securities Exchange Act of 1934, or the rules promulgated thereunder (including Rule 144 under the Securities Act described below ("***Rule 144***")) or of any other applicable securities laws. I am aware of Rule 144, which permits limited public resales of securities acquired in a non-public offering, subject to satisfaction of certain conditions, which include (without limitation) that: (a) certain current public information about the Company is available; (b) the resale occurs only after the holding period required by Rule 144 has been met; (c) the sale occurs through an unsolicited "broker's transaction"; and (d) the amount of securities being sold during any three-month period does not exceed specified limitations. I understand that the conditions for resale set forth in Rule 144 have not been satisfied and that the Company has no plans to satisfy these conditions in the foreseeable future.

4. **Access to Information; Understanding of Risk in Investment.** I acknowledge that I have received and had access to such information as I consider necessary or appropriate for deciding whether to invest in the Purchased Shares and that I had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Purchased Shares. I am aware that my investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. I am able, without impairing my financial condition, to hold the Purchased Shares for an indefinite period and to suffer a complete loss of my investment in the Purchased Shares.

5. **Rights of First Refusal; Market Stand-off.** I acknowledge that the Purchased Shares remain subject to the Company's Right of First Refusal and the market stand-off covenants (sometimes referred to as the "lock-up"), all in accordance with the applicable Notice of Stock Option Grant and the Stock Option Agreement that govern the Option.

6. **Form of Ownership.** I acknowledge that the Company has encouraged me to consult my own adviser to determine the form of ownership of the Purchased Shares that is appropriate for me. In the event that I choose to transfer my Purchased Shares to a trust, I agree to sign a Stock Transfer Agreement. In the event that I choose to transfer my Purchased Shares to a trust that is not an eligible revocable trust, I also acknowledge that the transfer will be treated as a "disposition" for tax purposes. As a result, the favorable ISO tax treatment will be unavailable and other unfavorable tax consequences may occur.

7. **Investigation of Tax Consequences.** I acknowledge that the Company has encouraged me to consult my own adviser to determine the tax consequences of acquiring the Purchased Shares at this time.

8. **Other Tax Matters.** I agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes my tax liabilities. I will not make any claim against the Company or its Board, officers or employees related to tax liabilities arising from my options or my other compensation. In particular, I acknowledge that my options (including the Option) are exempt from section 409A of the Internal Revenue Code only if the exercise price per share is at least equal to the fair market value per Ordinary Share at the time the option was granted

by the Board. Since Ordinary Shares are not traded on an established securities market, the determination of their fair market value was made by the Board and/or by an independent valuation firm retained by the Company. I acknowledge that there is no guarantee in either case that the Internal Revenue Service will agree with the valuation, and I will not make any claim against the Company or its Board, officers or employees in the event that the Internal Revenue Service asserts that the valuation was too low.

9. Spouse Consent. I agree to seek the consent of my spouse to the extent required by the Company to enforce the foregoing.

10. Agreement to Enter into Company Co-Sale Agreement and Company Voting Agreement. Pursuant to the Stock Option Agreement, if requested to do so by the Company, I agree to enter into and execute the then-current Company Co-Sale Agreement and/or the then-current Company Voting Agreement concurrently with my exercise of the Option or at any other time I am requested to do so by the Company. I acknowledge that by entering into the Company Co-Sale Agreement I will be subjecting the Purchased Shares to the rights of first refusal, co-sale rights and all the other provisions of the Company Co-Sale Agreement and that by entering into the Voting Agreement I will be subjected to voting and other obligations and covenants regarding all Company shares I own and all other provisions of the Company Voting Agreement, in addition to the right of first refusal, repurchase option and market stand-off provisions described above.

11. Tax Withholding. As a condition of exercising this Option, I agree to make adequate provision for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other Tax-Related Items related to my participation in the Plan and legally applicable to me, as further set forth in the Stock Option Agreement governing the Option.

12. Regulation S Representations and Restrictions. If my address is an address located outside of the United States, I make the following additional representations, warranties and agreements:

(a) Non-US. I am not a U.S. Person as defined in Rule 902(k) of Regulation S under the Securities Act ("***Regulation S***"). The offer and sale of the Purchased Shares to me was made in an offshore transaction (as defined in Rule 902(h) of Regulation S), no directed selling efforts (as defined in Rule 902(c) of Regulation S) were made in the United States, and I am not acquiring the Purchased Shares for the account or benefit of any U.S. Person.

(b) No Offer or Sale. I will not, during the Restricted Period applicable to the Purchased Shares set forth in the legend set forth below (the "***Restricted Period***") and any certificate representing the Purchased Shares, offer or sell any of the foregoing securities (or create or maintain any derivative position equivalent thereto) in the United States, to or for the account or benefit of a U.S. Person or other than in accordance with Regulation S.

(c) Registration or Exemption. I will, after the expiration of the applicable Restricted Period, offer, sell, pledge or otherwise transfer the Purchased Shares (or create or maintain any derivative position equivalent thereto) only pursuant to registration under the Securities Act or any available exemption therefrom and, in any case, in accordance with applicable foreign and state securities laws.

(d) No Transfer in Violation of Restrictions; Legend. I acknowledge and agree that the Company shall not register the transfer of the Purchased Shares in violation of these restrictions. I acknowledge and agree that the certificates evidencing the Purchased Shares will bear the legend set forth below (in addition to any other legend required by applicable U.S. federal, state or foreign securities laws or provided in any other agreement with the Company:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***ACT***") WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AND THE COMPANY DOES NOT INTEND TO REGISTER THEM. PRIOR TO A DATE THAT IS ONE-YEAR STARTING FROM THE DATE OF SALE OF THE STOCK, THE SHARES MAY NOT BE OFFERED OR SOLD (INCLUDING OPENING A SHORT POSITION IN SUCH SECURITIES) IN THE UNITED STATES OR TO U.S. PERSONS AS DEFINED BY RULE 902(k) ADOPTED UNDER THE ACT, OTHER THAN TO DISTRIBUTORS, UNLESS THE SHARES ARE REGISTERED UNDER THE ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT IS AVAILABLE. PARTICIPANTS OF SHARES PRIOR TO ONE-YEAR STARTING FROM THE DATE OF SALE OF THE STOCK, MAY RESELL SUCH SECURITIES ONLY PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT OR OTHERWISE IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S OF THE ACT, OR IN TRANSACTIONS EFFECTED OUTSIDE OF THE UNITED STATES PROVIDED THEY DO NOT SOLICIT (AND NO ONE ACTING ON THEIR BEHALF SOLICITS) PARTICIPANTS IN THE UNITED STATES OR OTHERWISE ENGAGE(S) IN SELLING EFFORTS IN THE UNITED STATES AND PROVIDED THAT HEDGING TRANSACTIONS INVOLVING THESE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE ACT. A HOLDER OF THE SECURITIES WHO IS A DISTRIBUTOR, DEALER, SUB-UNDERWRITER OR OTHER SECURITIES PROFESSIONAL, IN ADDITION, CANNOT PRIOR TO ONE-YEAR STARTING FROM THE DATE OF SALE OF THE STOCK RESELL THE SECURITIES TO A U.S. PERSON AS DEFINED BY RULE 902(k) OF REGULATION S UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION UNDER THE ACT IS AVAILABLE.

The undersigned hereby executes and delivers this Stock Option Exercise Notice and Agreement and agrees to be bound by its terms

SIGNATURE: **DATE:**

Optionee's Name:

ACCEPTED BY:

Terns Pharmaceuticals, Inc.

By

Title

DATE:
TIME:

[Signature Page to Stock Option Exercise Notice and Agreement]

Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXCLUSIVE LICENSE

between

TERNS PHARMACEUTICALS, INC.

and

ELI LILLY AND COMPANY

EXCLUSIVE LICENSE AGREEMENT

This Exclusive License Agreement (this "**Agreement**"), effective as of February 9, 2018 (the "**Effective Date**"), is entered into by and among Terns Pharmaceuticals, Inc., an exempted company incorporated under the laws of the Cayman Islands having a place of business P.O. Box 613, Harbor Center, George Town, Grand Cayman KY1-1107, Cayman Islands ("**Terns**") and Eli Lilly and Company, a U.S.A. company, organized and existing under the laws of the State of Indiana, having a place of business at Lilly Corporate Center, Indianapolis, Indiana 46285, USA ("**Lilly**"). Lilly and Terns may be referred to herein individually as a "**Party**" or collectively as the "**Parties.**" Reference to a Party shall be deemed to include that Party's Affiliates.

Recitals:

WHEREAS, Lilly is the owner of LY2562175, a farnesoid X receptor (FXR) agonist, and desires to have LY2562175 developed, manufactured, and commercialized as a pharmaceutical product;

WHEREAS, Terns is an international pharmaceutical company having experience in the development, manufacture and commercialization of pharmaceutical products;

NOW, THEREFORE, Lilly and Terns desire to enter into this worldwide, exclusive license wherein Terns will develop, manufacture, and commercialize LY2562175 in China and in other countries worldwide.

In consideration of the foregoing premises and the mutual covenants herein contained, the Parties hereby agree as follows:

Agreement:

1. DEFINITIONS.

Unless specifically set forth to the contrary herein, the following terms, whether used in the singular or plural, shall have the respective meanings set forth below:

1.1 "**Additional Third Party License**" shall have the meaning set forth in Article 7.3(a).

1.2 "**Affiliate**" means with respect to any Party, any person or entity controlling, controlled by or under common control with such Party. For purposes of this Article 1.2, "control" means (a) in the case of a corporate entity, direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of directors of such corporate entity and (b) in the case of an entity that is not a corporate entity, the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

1.3 "**Agreement**" shall have the meaning set forth in the introduction to this agreement.

1.4 "**Applicable Laws**" means all statutes, ordinances, regulations, rules or orders of any kind whatsoever of any Governmental Authority that may be in effect from time to time and applicable to the activities contemplated by this Agreement.

1.5 "**Backup Compound**" means (a) any backup compound to the Compound of Lilly, but only to the extent such backup compound is disclosed in a composition of matter patent containing one or more claims to the Compound, (b) a [***] of the compound specified in (a) above wherein the [***] has [***] activity as an farnesoid X receptor (FXR) agonist, and (c) any [***] of the compound specified in (a) above.

1.6 "**Bankruptcy Code**" shall have the meaning set forth in Article 13.4(b).

1.7 "**Business Day**" means a day other than a Saturday, Sunday, or a bank or other public holiday in Mainland China or in the United States.

1.8 "**Calendar Quarter**" means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.9 "**Calendar Year**" means the respective periods of twelve (12) months commencing on January 1 and ending on December 31.

1.10 "**cGMP**" means all applicable current Good Manufacturing Practices including, as applicable, (a) the principles detailed in the U.S. Current Good Manufacturing Practices, 21 C.F.R. Parts 4, 210, 211, 601, 610 and 820, (b) European Directive 2003/94/EC and Eudralex 4, (c) the principles detailed in the ICH Q7 guidelines, and (d) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time.

1.11 "**Change of Control**" shall have the meaning set forth in Article 15.2(b).

1.12 "**CMC**" means chemistry, manufacturing, and control.

1.13 "**Commercialization**" or "**Commercialize**" means activities relating specifically to the pre-launch, preparation for drug reimbursement, organizing formulary access and drug distribution, preparation and initiation of medical education and liaison activities, First Commercial Sale in any country in the Territory, promotion, marketing, sales force recruitment, pricing determination, and sale of a pharmaceutical Covered Product and post-launch medical activities, including: (a) the commercial sale, (b) strategic marketing, sales force detailing, advertising, and market and Covered Product support; (c) medical education and liaison and any phase IV clinical studies not requested or required by the Regulatory Authority in the Territory or to maintain Regulatory Approvals in the Territory; (d) all customer support and Covered Product distribution, invoicing and sales activities; and (e) target Covered Product profile, pricing, formulary and reimbursement related activities including pricing and reimbursement approvals.

1.14 "**Compound**" means (a) [***], also known as LY2562175, having the chemical structure set forth in Schedule 1.14, (b) a [***] of the compound specified in (a) above wherein the [***] has [***] activity as an farnesoid X receptor (FXR) agonist, and (c) any [***] of the compound specified in (a) above.

1.15 "**Confidential Information**" means all confidential information of the Disclosing Party or its Affiliates, regardless of its form or medium as provided to the Receiving Party or its Affiliates in connection with this Agreement; provided that, Confidential Information shall not include any information that the Receiving Party can show by competent evidence: (a) is already known to the Receiving Party at the time it is disclosed to the Receiving Party by the Disclosing Party without an obligation of confidentiality and not through a prior disclosure by the Disclosing Party; (b) is or becomes generally known to the public through no act or omission of the Receiving Party in violation of the terms of this Agreement; (c) has been lawfully received by the Receiving Party from a Third Party without restriction on its disclosure and without, to the knowledge of the Receiving Party, a breach by such Third Party of an obligation of confidentiality to the Disclosing Party; or (d) has been independently developed by the Receiving Party without use of or reference to the Confidential Information of the Disclosing Party.

1.16 "**Control**," "**Controls**" or "**Controlled by**" means (except as used in Article 1.2, above), with respect to any item of or right under Patents or Know-How, the ability of a Party (whether through ownership or license or other right), other than pursuant to this Agreement, to grant access to, license or sublicense such item or right without violating the terms of any agreement or other arrangement with any Third Party existing at the time such Party would be required hereunder to grant the other Party such access or license or sublicense.

1.17 "**Co-Promotion Option Period**" shall have the meaning set forth in Article 8.2.

1.18 "**Covered Compound**" means the Compound and the Backup Compounds.

1.19 "**Covered Product**" means any and all pharmaceutical products containing a Covered Compound, whether alone or in combination with other active or inactive ingredients.

1.20 "**Data Exclusivity Period**" means, with respect to a Covered Product in a country, the period during which the Regulatory Authority responsible for approval or authorization of the sale of drugs confers exclusive marketing rights or data exclusivity rights to the owner of the regulatory submission materials for such Covered Product in such country, including the prohibition of reference, without the consent of the owner, to the clinical and other data that is contained in such regulatory submission materials.

1.21 "**Develop**" or "**Development**" or "**Developing**" means research, discovery, and preclinical and clinical drug or biological development activities, including test method development and stability testing, toxicology, formulation, quality assurance/quality control development, CMC, statistical analysis, preclinical and clinical studies and regulatory affairs, approval and registration, in each case, of a Covered Product for use in the Field, and to the extent normally undertaken during the development (as opposed to Commercialization) phase of such Covered Product's life cycle. Development shall include all phase IV clinical studies requested or required by the Regulatory Authority in the Territory or to maintain Regulatory Approvals in the Territory.

1.22 "**Disclosing Party**" shall have the meaning set forth in Article 9.1.

1.23 "**Effective Date**" shall have the meaning set forth in the introduction in this Agreement.

1.24 "**Ex-Greater China**" means all countries of the world, excluding People's Republic of China, Hong Kong, Macau, and Taiwan.

1.25 "**Ex-Mainland China**" means all countries of the world, excluding Mainland China.

1.26 "**Field**" means all uses and all indications in humans.

1.27 "**First Commercial Sale**" means, with respect to the Covered Product, the first sale to a Third Party after receipt of applicable Regulatory Approval for end use or consumption of such Covered Product in the Territory (unless otherwise specified).

1.28 "**FTE**" means the equivalent of the work of a full-time individual for a 12-month period.

1.29 "**FTE Rate**" means a rate of [***] per FTE per year, to be pro-rated on an hourly basis of [***] per FTE per hour, assuming [***] per year for an FTE.

1.30 "**GAAP**" means U.S. Generally Accepted Accounting Principles as the same may be in effect from time to time, as generally and consistently applied.

1.31 "**GCP**" shall have the meaning set forth in Article 3.1(b).

1.32 "**Generic Competition**" means, with respect to the Covered Product in a country in the Territory, one (1) or more Third Parties have received Regulatory Approval to sell a Generic Covered Product to such Covered Product in such country in the Territory and such Generic Covered Product(s) is commercially available in such country in the Territory.

1.33 "**Generic Covered Product**" means in relation to a Covered Product, a product that is (a) independently developed and commercialized by a Third Party (and is not a Sublicensee of Terns or its Affiliates and did not purchase such pharmaceutical product in a chain of distribution that included any of Terns, its Affiliates or their Sublicensees), and (b) a pharmaceutical product that contains the same active ingredient(s) in a comparable quality and quantity as such Covered Product which is approved by the applicable Regulatory Authority for sale in a country in the Territory for use for the same indication or indications for which the Covered Product has received Regulatory Approval in such country in the Territory under a generic approval pathway as a generic product of the Covered Product in such country in the Territory.

1.34 "**GLP**" shall have the meaning set forth in Article 3.1(b).

1.35 "**Governmental Authority**" means any court, commission, authority, department, ministry, official or other instrumentality of, or being vested with public authority under any law of, any country, state or local authority or any political subdivision thereof, or any association of countries.

1.36 "**Greater China**" means the People's Republic of China, Hong Kong, Macau, and Taiwan.

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

1.37 "**ICH**" shall have the meaning set forth in Article 3.1(b).

1.38 "**Indemnifying Party**" shall have the meaning set forth in Article 11.3.

1.39 "**Indemnitee**" shall have the meaning set forth in Article 11.3.

1.40 "**Know-How**" means (a) any proprietary scientific or technical information, results and data of any type whatsoever, in any tangible or intangible form whatsoever, including databases, safety information, practices, methods, techniques, specifications, formulations, formulae, knowledge, know-how, skill, experience, test data including pharmacological, medicinal chemistry, biological, chemical, biochemical, toxicological, pre-clinical and clinical test data, analytical and quality control data, stability data, studies and procedures, and manufacturing process and development information, results and data and (b) any proprietary biological, chemical or physical materials.

1.41 "**Lilly**" shall have the meaning set forth in the introduction of this Agreement.

1.42 "**Lilly Developed IP**" shall have the meaning set forth in Article 12.1(b).

1.43 "**Lilly Indemnitee(s)**" shall have the meaning set forth in Article 11.1.

1.44 "**Lilly Know-How**" means any and all Know-How, to the extent Controlled by Lilly as of the Effective Date or during the Term, that was/is used or generated by Lilly in connection with Lilly's Development of the Covered Product or Covered Compound but only to the extent such Know-How is necessary or useful in connection with the Development, Manufacture, Commercialization or other use of the Covered Compound or Covered Product in the Field in the Territory. Lilly Know-How excludes any Lilly Developed IP.

1.45 "**Lilly Patents**" means Patents in the Territory Controlled by Lilly as of the Effective Date or during the Term that contain one or more claims to the composition of matter, manufacture, or use of a Covered Product. Lilly Patents as of the Effective Date are listed on Exhibit A attached hereto. Lilly Patents excludes any Lilly Developed IP.

1.46 "**Lilly Technology**" means the Lilly Know-How, Lilly Patents, and Lilly Developed IP.

1.47 "**Losses**" shall have the meaning set forth in Article 11.1.

1.48 "**Mainland China**" means the People's Republic of China, which for the purposes of this Agreement shall exclude Hong Kong, Macau, and Taiwan.

1.49 "**Manufacture**" or "**Manufacturing**" **or** "**Manufactured**" means all operations involved in the manufacturing, quality control testing (including in-process, release and stability testing, if applicable), storage, releasing and packaging the Covered Product.

1.50 "**Manufacturing Authorization**" means any and all consents or other authorizations or approvals from a Governmental Authority or Regulatory Authority in a country in the Territory, that is necessary for the Manufacture of the Covered Product in such country in the Territory, and any supplement, amendment or variation thereof.

1.51 "**Materials**" means reference and starting materials including the Covered Compounds and the active pharmaceutical ingredient (API) of the Covered Product or other materials as may be defined by the Parties.

1.52 "**NDA**" means with respect to a Covered Product in a country or regulatory jurisdiction, an application to obtain Regulatory Approval which approves selling and/or marketing such Covered Product in such country or regulatory jurisdiction.

1.53 "**NDA Approval**" means Regulatory Approval of an NDA for a Covered Product in any country or regulatory jurisdiction.

1.54 "**Net Sales**" shall mean, with respect to a Covered Product, the gross amount invoiced by Terns (including a Terns Affiliate) or any Sublicensee thereof, as applicable, to unrelated Third Parties (excluding any non-end user Sublicensee), for the Covered Product in the Territory, less the following items consistent with GAAP consistently applied:

(a) trade, quantity and cash discounts allowed;

(b) discounts, refunds, rebates, chargebacks, retroactive price adjustments, and any other similar allowances which effectively reduce the net selling price (but excluding sales force commissions);

(c) Covered Product returns and allowances;

(d) any tax imposed on the production, sale, delivery or use of the Covered Product, including without limitation sales, use, excise or value added taxes, or the annual fee imposed on the pharmaceutical manufacturers by the U.S. government (directly attributable to the Covered Product's Net Sales in the U.S.), but excluding income tax;

(e) allowance for distribution expenses [***] and

(f) [***] in accordance with GAAP [***].

Such amounts shall be determined from the books and records of Terns, its Affiliate or Sublicensee, maintained in accordance with GAAP or in the case of Sublicensees, such similar accounting principles, consistently applied. Terns further agrees in determining such amounts, it will use Terns' then current standard procedures and methodology, including Terns' then current standard exchange rate methodology for the translation of foreign currency sales into U.S. Dollars or, in the case of Sublicensees, such similar methodology, consistently applied.

In the event that the Covered Product is sold as part of a Combination Product (where "**Combination Product**" means any pharmaceutical product which comprises the Covered Product and other active compound(s) and/or ingredients), the Net Sales of the Covered Product, for the purposes of determining royalty payments, shall be determined by multiplying the Net Sales of the Combination Product (which shall be calculated consistently throughout this Article 1.54 by

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using the terms in the standard Net Sales definition but applying them to the Combination Product rather than to a Covered Product) by the fraction, A / (A+B) where A is the weighted average sale price of the Covered Product when sold separately in finished form, and B is the weighted average sale price of the other product(s) sold separately in finished form.

In the event that the weighted average sale price of the Covered Product can be determined but the weighted average sale price of the other product(s) cannot be determined, Net Sales for purposes of determining royalty payments shall be calculated by multiplying the Net Sales of the Combination Product by the fraction A / C where A is the weighted average sale price of the Covered Product when sold separately in finished form and C is the weighted average sale price of the Combination Product.

In the event that the weighted average sale price of the other product(s) can be determined but the weighted average sale price of the Covered Product cannot be determined, Net Sales for purposes of determining royalty payments shall be calculated by multiplying the Net Sales of the Combination Product by the following formula: one (1) minus (B / C) where B is the weighted average sale price of the other product(s) when sold separately in finished form and C is the weighted average sale price of the Combination Product.

In the event that the weighted average sale price of both the Covered Product and the other product(s) in the Combination Product cannot be determined, the Net Sales of the Covered Product shall be [***].

The weighted average sale price for a Covered Product, other product(s), or Combination Product shall be calculated [***] each Calendar Year [***] of such Calendar Year and such price shall be used during all applicable royalty reporting periods for the [***] following Calendar Year. When determining the weighted average sale price of a Covered Product, other product(s), or Combination Product, the weighted average sale price shall be calculated by dividing the sales dollars (translated into U.S. dollars) by the units of active ingredient sold during the twelve (12) months (or the number of months sold in a partial calendar year) of the preceding Calendar Year for the respective Covered Product, other product(s), or Combination Product. In the initial Calendar Year, a forecasted weighted average sale price will be used for the Covered Product, other product(s), or Combination Product. Any over or under payment due to a difference between forecasted and actual weighted average sale prices will be paid or credited in the first royalty payment of the following Calendar Year.

1.55 "**Party**" or "**Parties**" shall have the meaning set forth in the introduction to this Agreement.

1.56 "**Patent(s)**" means (a) all patents and patent applications in any country or supranational jurisdiction and (b) any provisionals, substitutions, divisions, continuations, continuations in part, reissues, renewals, registrations, confirmations, reexaminations, extensions, supplementary protection certificates and the like, of any such patents or patent applications.

1.57 "**Patent Prosecution**" means the responsibility and authority for (a) preparing, filing and prosecuting applications (of all types) for any Patent, (b) paying, filing and maintenance fees relating to any Patent, (c) managing any interference, opposition, re-issue, reexamination,

revocation, nullification, or cancellation proceeding relating to the foregoing, (d) deciding to abandon Patent(s), (e) listing in regulatory publications (as applicable), (f) patent term extension, and (g) settling any interference, opposition, revocation, nullification or cancellation proceeding.

1.58 "**Permitted Sublicensee**" shall have the meaning set forth in Article 3.4.

1.59 "**Phase III Clinical Study**" means a human clinical trial designed as a pivotal study to confirm, with statistical significance, the efficacy and safety of a Covered Product with respect to a particular indication, which trial is performed for purposes of filing an NDA or similar application to obtain Regulatory Approval for such Covered Product in any country or regulatory jurisdiction, as defined in 21 C.F.R. § 312.21(c), as may be amended from time to time, or any analogous clinical trial described or defined in Applicable Laws and guidelines in the Territory.

1.60 "**Receiving Party**" shall have the meaning set forth in Article 9.1(a).

1.61 "**Regulatory Approval**" means, with respect to the Covered Product in a country in the Territory, all approvals from the necessary Governmental Authority or Regulatory Authority to manufacture, import, market and sell such Covered Product in such country in the Territory (including but not limited to, as applicable, a Manufacturing Authorization and all applicable pricing and reimbursement approvals required to market and sell such Covered Product in such country in the Territory).

1.62 "**Regulatory Authority**" means the applicable medical or drug body or any applicable Governmental Authority involved in granting approvals for the conduct of clinical trials or the importing, manufacturing, marketing, selling, reimbursement or pricing of a Covered Product in a country in the Territory.

1.63 "**Regulatory Filing**" means any filing, application, or submission with any Regulatory Authority, including authorizations, approvals or clearances arising from the foregoing, including Regulatory Approvals, and all correspondence or communication with or from the relevant Regulatory Authority, as well as minutes of any material meetings, telephone conferences or discussions with the relevant Regulatory Authority, in each case, with respect to **a** Covered Product.

1.64 "**Related Party**" means, with respect to a Party, its Affiliates and Sublicensees.

1.65 "**Royalty Term**" shall have the meaning set forth in Article 7.1(b).

1.66 "**Rules**" shall have the meaning set forth in Article 14.2(a).

1.67 "**Subject Launch Market**" means Mainland China, Hong Kong, Macau, or Taiwan, each of which, for purposes of this Agreement, will be considered a separate "country".

1.68 "**Sublicensee**" means a Third Party that is granted a sublicense under the licenses granted to a Party in accordance with this Agreement.

1.69 "**Technology Transfer Plan**" shall have the meaning set forth in Article 3.6(a).

1.70 "**Term**" shall have the meaning set forth in Article 13.1.

1.71 "**Terns**" shall have the meaning set forth in the introduction of this Agreement.

1.72 "**Terns Developed IP**" shall have the meaning set forth in Article 12.1(b).

1.73 "**Terns Indemnitee(s)**" shall have the meaning set forth in Article 11.2.

1.74 "**Terns Know-How**" means any and all Know-How, to the extent Controlled by Terns as of the Effective Date or during the Term, that (a) used or generated by Terns in connection with Terns' Development of the Covered Product or Covered Compound, and (b) is necessary or useful in connection with the Development, Manufacture, Commercialization or other use of the Covered Compound or Covered Product in the Field in the Territory. Terns Know-How excludes any Terns Developed IP.

1.75 "**Terns Patent**" means Patents in the Territory Controlled by Terns on the Effective Date or during the Term that contain one or more claims to the Covered Product. Terns Patents excludes any Terns Developed IP.

1.76 "**Terns Prosecuted Patents**" shall have the meaning set forth in Article 12.2.

1.77 "**Territory**" means all countries of the world.

1.78 "**Third Party**" means an entity other than (a) Terns and its Affiliates and (b) Lilly and its Affiliates.

1.79 "**U.S. Dollars**" or "**US$**" means United States dollars, the lawful currency of the United States.

1.80 "**Valid Claim**" means a claim of an issued and unexpired Patent included within the Lilly Patents with regard to the Covered Product in the Territory which has not been permanently revoked or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, which decision is not appealable or is not appealed within the time allowed for appeal, and has not been abandoned, disclaimed or admitted to be invalid or unenforceable through reissue, disclaimer or otherwise in such country.

1.81 "**Wind-Down**" shall have the meaning set forth in Article 13.6(b)(ii).

1.82 "**Withholding Party**" shall have the meaning set forth in Article 7.7.

1.83 **Interpretative Provision.** The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles and Attachments are to Articles, Sections and Attachments of this Agreement unless otherwise specified. All attachments annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized term used in any attachment but not otherwise defined therein shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation", whether or not they are in fact followed by those words or words of like import.

2. SCOPE AND COMMUNICATION.

2.1 **General Scope of Covered Product.** Pursuant to and subject to the terms of this Agreement, Terns shall, in good faith and using commercially reasonable efforts, Develop, Manufacture, apply for Regulatory Approval of, and Commercialize the Covered Product in the Field in Mainland China and be responsible for all such activities.

2.2 **Communication**

(a) Until the First Commercial Sale of a Covered Product, Terns shall [***], unless mutually agreed otherwise, disclose to Lilly and/or discuss information outlined below. Such disclosure shall be by electronic means unless otherwise mutually agreed upon by the Parties and shall:

(i) share information regarding the Development of the Covered Product;

(ii) disclose any Third Parties used or to be involved in Development or Manufacturing (CRO, CMO, etc.);

(iii) summarize Terns' overall regulatory strategy established for the Covered Product;

(iv) summarize Terns' overall Manufacturing strategy

(v) summarize information regarding the Commercialization strategy for the Covered Product; and

(vi) provide such other information as reasonably requested by Lilly.

(b) Terns shall consider in good faith any comments provided by Lilly in relation to the Development, Manufacturing, or Commercialization of the Covered Product in the Territory.

3. COVERED PRODUCT DEVELOPMENT

3.1 **Development Overview**.

(a) Responsibility. Terns shall have sole and full responsibility, authority, and control for and over all aspects of the Development of the Covered Product in the Territory at its cost, including all scientific and business decisions relating thereto.

(b) GCP and GLP Compliance. The Development of the Covered Product shall be conducted by Terns pursuant to good clinical practices ("**GCP**") and good laboratory practices ("**GLP**"). GLP means all applicable Good Laboratory Practice standards, including, as applicable, as set forth in the then current good laboratory practice standards promulgated or endorsed by the

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U.S. Food and Drug Administration as defined in 21 C.F.R. Part 58, or the equivalent Applicable Laws in the Territory, each as may be amended and applicable from time to time. GCP means all applicable Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of clinical trials, including, as applicable (a) as set forth in the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use ("**ICH**") Harmonized Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practice for trials on medicinal products in the Territory, (b) the Declaration of Helsinki (2004) as last amended at the 52nd World Medical Association in October 2000 and any further amendments or clarifications thereto, (c) U.S. Code of Federal Regulations Title 21, Parts 50 (Protection of Human Subjects), 56 (Institutional Review Boards) and 312 (Investigational New Drug Application), as may be amended from time to time, and (d) the equivalent Applicable Laws in the Territory, each as may be amended and applicable from time to time and in each case, that provide for, among other things, assurance that the clinical data and reported results are credible and accurate and protect the rights, integrity, and confidentiality of trial subjects.

3.2 **Conduct of Development**.

(a) Development Diligence. Terns shall use commercially reasonable efforts to Develop the Covered Product in the Field in Mainland China by achieving Regulatory Approval of at least one Covered Product in Mainland China and conducting and funding all activities to fulfill its Development plans with respect to such Covered Product in Mainland China (including pre-clinical, clinical, and CMC activities), or until Terns provides Lilly with [***] advance written notice of its determination, in good faith, that Regulatory Approval cannot be achieved in a commercially reasonable fashion for such Covered Product. Upon Lilly's receipt of such notice, Terns shall have been deemed to have provided Lilly with Tern's notice of unilateral termination under Article 13.2 of this Agreement with respect to the country(ies) and Covered Product(s) at issue and, therefore, shall be subject to the provision applicable of to such a unilateral termination under this Agreement.

(b) Development Data. Terns will own all data generated in connection with its Development activities in relation to the Covered Product. During Development and up until the First Commercial Sale in Mainland China, Terns shall report to Lilly [***] with respect to data obtained from clinical studies during the Development of the Covered Product pursuant to Article 2.2.

(c) Regulatory Approvals. Terns or its designee shall own any and all Regulatory Approvals for the Covered Products.

3.3 **Further Development**. Terns shall not be under any obligation to pursue further Development of the Covered Product if it in good faith determines, in its sole discretion, not to continue Development of a Covered Product, on a country-by-country basis, for reasons that Terns can reasonably demonstrate is due to an ethical conflict, safety issue or compliance with Applicable Law provided that Terns promptly (and in no event, later than [***] after such determination) notifies Lilly of the same in writing. Upon Lilly's receipt of such notice, Terns shall have been deemed to have provided Lilly with Terns' written notice of unilateral termination under Article 13.2 of this Agreement with respect to the country(ies) and Covered Product(s) at issue and, therefore, shall be subject to the provision applicable to such a unilateral termination under this Agreement.

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3.4 **Rights to Engage Sublicensees, Subcontractors and Affiliates**. Terns shall have the right to sublicense its rights hereunder to or engage (a) its Affiliates or (b) permitted Third Party sublicensees or contractors with Lilly's prior written consent (not to be unreasonably withheld, delayed, or conditioned) (such Affiliates and such Third Parties, collectively, the "**Permitted Sublicensees**") to perform any portion of its Development, Manufacture or Commercialization obligations hereunder, except that no Permitted Sublicensee can be debarred or disqualified by a Regulatory Authority. Terns shall be responsible for ensuring that, prior to engaging any Permitted Sublicensee that such Permitted Sublicensee is subject to written agreements containing terms and conditions: (i) consistent with the relevant terms and conditions of this Agreement protecting the rights of the Parties under this Agreement including imposing obligations of confidentiality on each such Permitted Sublicensee; (ii) that vests ownership of any and all inventions developed by such Permitted Sublicensee to the extent relating to the Covered Product in the course of performing such subcontracted work in the contracting Party; (iii) that does not under any circumstance impose any payment obligations or liability on Lilly, and (iv) that is otherwise consistent with the terms of this Agreement. Terns shall advise Lilly pursuant to Article 2.2 of any engagement of a Permitted Sublicensee and shall provide Lilly with a copy of the sublicensee agreement with such Permitted Sublicensee. Terns shall remain directly responsible for all of its obligations under this Agreement that have been delegated, subcontracted or sublicensed to any Permitted Sublicensee.

3.5 **Compliance Audits. [*****] Lilly is entitled to conduct audits to ensure compliance of Terns with applicable GMPs, GCPs and GLPs that require evaluation, including on-site evaluations to the extent permitting such evaluations is in control of Terns.

3.6 **Technology Transfer**.

(a) Within [***] of the Effective Date, the Parties will coordinate and agree to a technology transfer plan for Lilly to provide and transfer to Terns the Lilly Know-How (which will include Materials) as set forth on Exhibit B and was not previously provided to Terns (the "**Technology Transfer Plan**"), which may be updated or amended by the mutual agreement by the Parties from time to time as needed. For purposes of clarity, Lilly will transfer only the Lilly Know-How referenced in Exhibit B to Terns in accordance with the Technology Transfer Plan, and Terns will cooperate to facilitate the receipt of such transfer of Lilly Know-How.

(b) Notwithstanding anything to the contrary in this Agreement, Lilly will have no obligation under this Article 3.6 to transfer any Lilly Know-How or Materials other than the items specifically described in the attached Exhibit B. While Terns may use the Materials to Develop the Products in accordance with the terms of this Agreement, Terns will not use the Materials listed in Exhibit B with humans for any purpose including for testing in or the treatment of human subjects.

(c) Terns will reimburse Lilly's [***] at the FTE Rate for FTEs engaged to provide assistance to Terns for the technology transfer pursuant to Article 3.6(a) and the transfer of Materials pursuant to Article 3.6(a), except that the first [***] of FTE assistance will be provided at Lilly's cost.

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4. COMMERCIALIZATION AND COMPLIANCE.

4.1 **Commercialization Overview.** Terns shall have sole and full responsibility, authority, and control for and over all aspects of the Commercialization of the Covered Product in the Territory at its cost, including all scientific and business decisions relating thereto. Terns shall use commercially reasonable efforts to Commercialize the Covered Product in the Field in Mainland China by achieving a First Commercial Sale of at least one Covered Product in Mainland China and conducting and funding all activities to fulfill its Commercialization plans with respect to such Covered Product in Mainland China.

4.2 **Covered Product Trademark, Labeling; Promotional Materials**.

(a) Terns shall own and be responsible for obtaining and maintaining trademarks for the Covered Product, at its cost. Terns shall be responsible for designing, approving and supplying the Covered Product labeling and promotional materials for the Covered Product. Terns shall be responsible as to the manner in which such Covered Product will be presented and described to the medical community in any promotional materials and the placement of the names and logos of the Parties therein, in each case as permitted by Applicable Law and consistent with the labeling for the Covered Product as approved by the applicable Regulatory Authority.

(b) Packaging for the Covered Product will have the approved name for the Covered Product and Terns' trademark and company logo.

4.3 **Compliance with Applicable Laws.** Each of the Parties shall, and shall cause their respective Affiliates to, conduct all activities under this Agreement in such a manner as to comply in all material respects with all Applicable Laws.

4.4 **Compliance with Party Specific Regulations.** The Parties agree to cooperate with each other as may reasonably be required to ensure that each is able to fully meet its obligations with respect to the Party Specific Regulations applicable to it. Neither Party shall be obligated to pursue any course of conduct that would result in such Party being in material breach of any Party Specific Regulation applicable to it. All Party Specific Regulations are binding only in accordance with their terms and only upon the Party to which they relate.

4.5 **Compliance with Internal Compliance Codes.** All Internal Compliance Codes shall apply only to the Party to which they relate. The Parties agree to cooperate with each other to insure that each Party is able to comply with the substance of its respective Internal Compliance Codes and, to the extent practicable, to operate in a manner consist with its usual Compliance related processes.

(a) "**Compliance**" shall mean the adherence by the Parties in all material respects to all Applicable Laws and Party Specific Regulations, in each case with respect to the activities to be conducted under this Agreement.

(b) "**Internal Compliance Codes**" shall mean a Party's internal policies and procedures intended to ensure that a Party complies with Applicable Laws, Party Specific Regulations, and such Party's internal ethical, medical and similar standards.

(c) "**Party Specific Regulations**" shall mean all judgments, decrees, orders or similar decisions issued by any Governmental Authority specific to a Party, and all consent decrees, corporate integrity agreements, or other agreements or undertakings of any kind by a Party with any Governmental Authority, in each case as the same may be in effect from time to time and applicable to a Party's activities contemplated by this Agreement.

5. MANUFACTURE AND SUPPLY.

5.1 **Manufacture and Supply.** Terns shall use its commercially reasonable efforts to Manufacture, or have Manufactured per applicable cGMPs, the Covered Product, sufficient to meet the Development and Commercialization requirements of the Covered Product in the Territory.

6. REGULATORY.

6.1 **Terns' Responsibilities.** Terns will be responsible for all regulatory activities, at its cost, leading up to and including the obtaining of the Regulatory Approvals for the Covered Product from the Governmental Authority or Regulatory Authority on a country-by-country basis. Terns or its designee shall make, hold and own all Regulatory Filings and Regulatory Approvals. Terns shall only be required to apply for Regulatory Approval in those countries that in its sole discretion are commercially viable.

6.2 **Regulatory Obligations and Cost.** Terns shall be responsible for the regulatory strategy, including strategy for filings and label content. Terns shall be solely responsible for all regulatory activities in connection with seeking Regulatory Approvals in the Territory, including communicating and preparing and filing all reports with the Regulatory Authorities. However, upon Terns reasonable request, Lilly agrees to reasonably cooperate with Terns, at [***] expense (which shall include [***]), if requested, in providing consultation with respect to the preparation and filing of all such reports, provided that under no circumstance shall Lilly's cooperation described above exceed [***]. All governmental fees associated with obtaining and maintaining any and all Regulatory Approvals shall be paid by Terns.

7. PAYMENTS AND MILESTONES; GUARANTEE.

7.1 **Covered Product Royalties to Lilly.**

(a) Tiered Earned Royalties. Terns shall pay to Lilly royalties based on the Calendar Year, Net Sales of each Covered Product in the Territory in the amounts set forth below (all amounts are in U.S. Dollars). Royalties owed to Lilly will be calculated for each Covered Product separately subject to the methodology for calculating Net Sales of a Covered Product when the Covered Product is sold as part of or as a Combination Product as described in Article 1.54.

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Calendar Year, Covered Product Net Sales in Greater China	*Royalty Rate*	*Calendar Year, Covered Product Net Sales in Ex-Greater China*	*Royalty Rate*
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]

(b) Royalty Term. On a country-by-country and Covered Product-by-Covered Product basis, the above earned royalties shall be payable commencing on [***] and continuing until the last to occur of: (i) the expiration of the life of the last-to-expire Terns Prosecuted Patents having a [***] in such country in the Territory; (ii) the expiration of the Data Exclusivity Period in such country in the Territory; and (iii) the end of the period that is [***] from the First Commercial Sale of such Covered Product in such country in the Territory (the longer of (i), (ii), and (iii), the "**Royalty Term**").

(c) Reports: Payment of Royalty and Milestones. During the Term, following the [***], Terns shall furnish to Lilly a quarterly written report for the Calendar Quarter showing the Net Sales of each Covered Product sold that is subject to royalty payments, by Terns and its Related Parties in the Territory during the reporting period and the royalties payable under this Agreement. Reports shall be due on the [***] following the close of each Calendar Quarter. Royalties shown to have accrued by each royalty report shall be due and payable on the date such royalty report is due. Terns shall keep complete and accurate records in sufficient detail to enable the royalties payable hereunder to be determined. Terns shall provide Lilly with a non-binding sales forecast for the [***]. Terns will mail such reports to the attention of: Eli Lilly and Company, Lilly Royalty Administration in Finance, Drop Code 1064, Lilly Corporate Center, Indianapolis, Indiana, 46285.

7.2 **Covered Product Development Milestones to Lilly.**

(a) Covered Product Development Milestones. Terns shall pay Lilly the following Development milestones based upon events described in the below table for the first Covered Product Developed by Terns under this Agreement to achieve each such milestone, regardless of the number of times such milestone is achieved or the number of Covered Products achieving such milestone. Further, the start of a [***] Clinical Study is the first patient visit and each clinical study milestone will only be paid once upon the first time each event is achieved by any Covered Product even if any of the phases are later restarted or entered by a replacement or subsequent Covered Product. Also, in the event Terns terminates Development of a Covered Product (i.e., a 1st generation Covered Product) and Develops a replacement Covered Product (i.e., a 2nd generation Covered Product), any milestones paid for the Development of the terminated Covered Product shall be credited to the replacement Covered Product, such that Terns shall not be required to pay any milestones for the replacement Covered Product that have already been paid for the terminated Covered Product. All amounts are shown in U.S. Dollars. The maximum amount of Development milestones Terns may be obligated to pay Lilly under this Article 7.2 and this Agreement is US$56,000,000, and in no event shall Terns be obligated to pay Development milestones in excess thereof.

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Development Milestones for the first Covered Product in Mainland China		Development Milestones for the first Covered Product in Ex-Mainland China	
Event	**Milestone Payment**	**Event**	**Milestone Payment**
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
		[***]	[***]
		[***]	[***]

(b) Payment. Terns will pay Lilly the above milestones by no later than [***] after the documented event has been achieved.

7.3 **Third Party Obligations and Agreement Payments and Generic Covered Products.** The following adjustments shall be made, on a country-by-country and Covered Product-by-Covered Product basis, to the royalties payable pursuant to Article 7.1:

(a) Third Party Patents. If it is [***] for Terns to license one or more Patents from one or more Third Parties in order to Develop, Manufacture, Commercialize or use any Covered Product without infringing on a Third Party Patent, whether directly or through any Tern's Affiliate or Sublicensee, then Terns may, in its sole discretion, negotiate and obtain a license under such Patents (each such Third Party license referred to herein as an "**Additional Third Party License**"). Prior to executing any Additional Third Party License, Terns shall discuss and consult with Lilly regarding such Additional Third Party License; provided that Terns retains full discretion over the decision to enter into, and the final terms of, any such Additional Third Party Licenses. Any [***] payable to Lilly under this Agreement [***] shall be reduced by [***] of the amounts payable to Third Parties pursuant to any Additional Third Party Licenses, such reduction to continue until all such amounts have been expended, provided that in no event shall the [***] payable to Lilly [***] be less than [***].

(b) No Adjustment for Lilly Third Party Agreements. Lilly shall be solely responsible for (i) all obligations (including any royalty or other obligations that relate to the Lilly Technology) under its agreements with Third Parties that are in effect as of the Effective Date and (ii) all payments to inventors (other than inventors that are employees or consultants of Terns) of Lilly Technology, including inventorship compensation payments under Applicable Law.

(c) No Adjustment for Existing Terns Third Party Agreements. Terns shall be solely responsible for all obligations (including royalty obligations) that relate to Covered Products under its agreements with Third Parties that are in effect on or prior to the Effective Date.

(d) Failure to Pay. If Lilly should fail to pay any undisputed amounts owed under its agreements with Third Parties under Article 7.3(b), Terns may at its sole option decide to pay any such amount and deduct such amount from any payments or royalties owed to Lilly hereunder without restriction.

(e) Generic Covered Products — Royalty Reduction. In the event it is reasonably determined that the total volume sales of all Generic Covered Products with respect to such Covered Product in such country in the Territory in a Calendar Quarter constitutes (i) [***] of all such Generic Covered Products and such Covered Product in such country in the Territory in such

Calendar Quarter, then, during the Royalty Term, Lilly's royalty rates as set forth in Article 7.3 of this Agreement shall be reduced by [***] commencing on the first calendar quarter that follows the date in which such determination occurs or (ii) [***] of all such Generic Covered Products and such Covered Product in such country in the Territory in such Calendar Quarter, then, during the Royalty Term, Lilly's royalty rates as set forth in Article 7.3 of this Agreement shall be reduced by [***] commencing on the first calendar quarter that follows the date in which such determination occurs.

(f) Limit on Royalty Reductions. Notwithstanding anything to the contrary in this Article in no event shall the royalties owed under Article 7.1 with respect to a Covered Product in a country be reduced by operation of any subsection of this Article 7.3 by more than an aggregate of [***] of what would otherwise be owed under Article 7.1 with respect to [***].

7.4 **Audits**.

(a) Terns will keep and maintain (and to the extent applicable, will cause its Affiliates, and their respective Sublicensees, distributors, assignees and transferees to keep and maintain) proper and complete records and books of account in such form and detail as is necessary for the determination of the amounts payable by Terns (on behalf of itself and its Affiliates and their respective Sublicensees, distributors, assignees and transferees) to Lilly under this Agreement and for the purposes of this Agreement.

(b) Within the Term of this Agreement, Lilly shall not more than [***], have the right to have a reputable globally recognized independent certified public accountant firm hired by Lilly to inspect Terns' records for [***] for the purpose of determining the accuracy of royalty and milestone payments. No period will be audited more than once. Lilly shall submit an audit plan, including audit scope, to Terns for Terns' approval, which shall not be unreasonably withheld, prior to audit implementation. The independent certified public accountants shall keep confidential any information obtained during such inspection and shall report to Lilly and Terns only the amounts of Net Sales and royalties and milestones due and payable. If determined that additional royalties or milestones are owed, or that royalties or milestones were overpaid, during such period, Terns will pay Lilly the additional royalties or milestones, or Lilly will pay Terns the overpaid royalties or milestones within [***] of the date the independent certified public accountants written report is received by the paying party. The fees charged by such accounting firm will be paid by Lilly unless any additional royalties or milestones owed exceed [***] of the royalties or milestones paid for the period subject to the audit, in which case Terns will pay the reasonable fees of the accounting firm.

(c) Terns shall include in each sublicense granted by it pursuant to this Agreement a provision requiring the Sublicensee to make reports to Terns, to keep and maintain records of sales made pursuant to such sublicense [***].

(d) Lilly shall treat all financial information subject to review in accordance with Article 9 of this Agreement, and shall cause its accounting firm to enter into an acceptable confidentiality agreement with them [***] obligating it to retain all such information in confidence pursuant to terms consistent with the terms in Article 9 of this Agreement.

7.5 **Currency**. Except as otherwise provided in this Agreement, all payments to be made by one Party to the other under this Agreement shall be made in U.S. Dollars by bank wire transfer from such Party's bank account in immediately available funds to the receiving Party's bank account designated in writing by the Party receiving the payment. Sales, costs and expenses, and payments recorded in any foreign currency shall be converted into U.S. Dollars in a manner consistent with Terns' and Lilly's customary and usual conversion procedures used to prepare such Party's audited financial statements, provided always that such practices are consistently applied and use a widely accepted source of published exchange rates. In each country where the local currency is blocked and cannot be removed from the country, payments under this Agreement arising from activities in that country for which Licensee, an Affiliate thereof, or any Sublicensee does not receive payment in U.S. currency, freely useable outside of such country, shall, [***].

7.6 **Interest.** Each Party shall pay interest on any amounts overdue under this Agreement at a per annum rate of [***] the average of the prime rate as published in the Wall Street Journal during the thirty (30) days immediately preceding the due date of such overdue payment. Royalties and other payments required to be paid pursuant to this Agreement shall, if overdue, bear interest from the day the original payment was due until the day that the payment was received by the payee. The payment of such interest shall not foreclose a Party from exercising any other rights it may have because any payment is overdue.

7.7 **Tax Withholding.** If any payments required to be made by a Party under this Agreement are or become subject to withholding taxes (including any value added tax) under Applicable Laws of any state, federal, provincial or foreign government, such Party shall be authorized to withhold such taxes as are required under Applicable Law, pay such taxes to the appropriate Governmental Authority, deduct them from such payments, and remit the balance due to the other Party net of such taxes. The Party paying the taxes to the Governmental Authority shall secure and deliver to the other Party an official receipt for taxes paid. In the event that the governing tax authority retroactively determines that a payment pursuant to this Agreement should have been subject to withholding (or to additional withholding) for taxes, and a Party (the "**Withholding Party**") remits such taxes to the tax authority, the Withholding Party will invoice the other Party for such amount, and the other Party will pay such amount within [***] of the receipt of such invoice. Notwithstanding the foregoing, if Terns sublicenses or assigns its payment obligations to an Affiliate or to a third-party, and such sublicense or assignment results in a greater amount of withholding tax which may be subtracted from payments to Lilly than if Terns had fulfilled its payment obligations to Lilly directly, such Affiliate or third-party shall increase the payment to Lilly as necessary such that the amount received by Lilly after such required income tax withholding is equal to the amount Lilly would have received if Terns had fulfilled such payment obligations to Lilly directly. For clarity, Terns (including its affiliates, assignees, and sub-licensees) is solely responsible for any income tax due in connection with its income under this Agreement.

7.8 **Tax Administration.** The Parties agree to fully cooperate with each other to enable each Party to more accurately determine its own tax liability and to minimize such liability to the extent legally permissible and administratively reasonable. Each Party shall provide and make available to the other Party any exemption certificates, resale certificates, or other required tax forms reasonably requested by the other Party to support the provisions of this Agreement.

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7.9 **Records.** Terns shall maintain appropriate records in either tangible or electronic form of (a) all significant Development, Manufacturing and Commercialization (each as applicable) events and activities conducted by it or on its behalf related to the Covered Product; and (b) all significant information generated by it or on its behalf in connection with Development of the Covered Product under this Agreement, in each case in accordance with Terns' usual documentation and cGMP record retention practices. Such records shall be in sufficient detail to properly reflect, in good scientific manner, all significant work done and results of studies and trials undertaken and further shall be at a level of detail appropriate for patent and regulatory purposes. If reasonably necessary for a Party to perform its work under this Agreement or to exercise its rights under this Agreement, such Party may request that, and the other Party shall provide within a reasonable timeframe, such information and data regarding its activities hereunder as is reasonably available and reasonably related its activities under this Agreement; provided that neither Party shall be required to generate additional data or prepare additional reports to comply with the foregoing obligation. All such reports, information and data provided shall be subject to the provisions of Article 9.

8. LICENSES; EXCLUSIVITY.

8.1 **Exclusive License to Covered Product and Right to Sublicense**. Subject to the terms and conditions of this Agreement, Lilly hereby grants to Terns, during the Term, an exclusive license (even as to Lilly), under the Lilly Technology to make, have made, use, offer for sale, sell, import, and have imported, including all rights to Develop, Manufacture, Commercialize, Covered Products in the Field in the Territory, including the right to grant sublicenses at any tier (subject to Article 3.4).

8.2 **China Commercialization Option**. On a country-by-country and Covered Product-by-Covered Product basis, following the Regulatory Approval of a Covered Product in the Subject Launch Market and if Terns (or Terns' Sublicensee) decides in good faith to Commercialize such Covered Product in the Subject Launch Market, Terns will provide written notice to Lilly of such decision, and Lilly shall have a co-promotion option for the Subject Launch Market, exercisable separately for each such Covered Product and each such country in the Subject Launch Market, to assume responsibility for a certain percentage of the detailing for such Covered Product in the Subject Launch Market to be further negotiated and agreed by the Parties. Each such option can be exercised by written notification to Terns within at [***] of the date of Terns' notice of its decision. Upon exercise of such option for such Covered Product, the Parties shall negotiate in good faith on terms for such co-promotion for such Covered Product for [***] days of Lilly's notice exercising such option (the "**Co-Promotion Option Period**"); provided that, if the Parties are not able to reach an agreement with respect to such co-promotion for such Covered Product within the aforementioned [***] period, Terns will have no further obligation to Lilly with respect to the co-promotion of such Covered Product. Before and during the Co-Promotion Option Period, Terns will not enter into definitive agreements with a Third Party providing such Third Party rights to co-promote such Covered Product.

8.3 **No Implied Licenses.** Except as explicitly set forth in this Agreement, neither Party grants any license, express or implied, under its intellectual property rights to the other Party.

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9. CONFIDENTIALITY; PUBLICATION.

9.1 **Nondisclosure Obligation**.

(a) For the Term of this Agreement and [***] thereafter, except in the case of Confidential Information of a Party that has been identified in writing by such Party as a trade secret, in which case, the obligation contained in this Article 9.1 with respect to such Confidential Information shall be perpetual, the Party receiving the Confidential Information of the other Party (such receiving Party, the "**Receiving Party**") shall keep confidential and not publish, make available or otherwise disclose any Confidential Information to any Third Party, without the express prior written consent of the Party that disclosed such Confidential Information (the "**Disclosing Party**"); provided however, the Receiving Party may disclose the Confidential Information to those of its Affiliates, officers, directors, employees, agents, consultants and/or independent contractors (including Sublicensees) of such Receiving Party who need to know the Confidential Information in connection with this Agreement and are bound by confidentiality obligations with respect to such Confidential Information. The Receiving Party shall exercise at a minimum the same degree of care it would exercise to protect its own confidential information (and in no event less than a reasonable standard of care) to keep confidential the Confidential Information. The Receiving Party shall use the Confidential Information solely in connection with the purposes of this Agreement.

(b) It shall not be considered a breach of this Agreement if the Receiving Party discloses Confidential Information in order to comply with a lawfully issued court or governmental order or with a requirement of Applicable Law or the rules of any internationally recognized stock exchange; provided that: (i) the Receiving Party gives prompt written notice of such disclosure requirement to the Disclosing Party and cooperates with Disclosing Party's efforts to oppose such disclosure or obtain a protective order for such Confidential Information, and (ii) if such disclosure requirement is not quashed or a protective order is not obtained, the Receiving Party shall only disclose those portions of the Confidential Information that it is legally required to disclose and shall make a reasonable effort to obtain confidential treatment for the disclosed Confidential Information. Notwithstanding the foregoing provisions of Section 9.1(a), either Party may disclose Confidential Information of the other Party if such Party is required to make such disclosure by Applicable Laws, in response to rules or guidance of the United States Internal Revenue Service or other taxing authority, or in other legal processes, including by the rules or regulations of the United States Securities and Exchange Commission (the "SEC") or similar regulatory agency in a country other than the United States or of any stock exchange or other securities trading institution and shall disclose only such Confidential Information of such other Party as is required to be disclosed.

9.2 **Publicity; Use of Names.**

(a) Confidential Terms. Each of the Parties agrees not to disclose to any Third Party the terms and conditions of this Agreement without the prior approval of the other Party, except to advisors (including consultants, financial advisors, attorneys and accountants), potential and existing investors and acquirers on a need to know basis, in each case under circumstances that reasonably protect the confidentiality thereof, or to the extent necessary to comply with the terms of agreements with Third Parties, or to the extent required by Applicable Laws, including securities laws. Notwithstanding the foregoing, if the Parties mutually agree upon an initial press release(s) to announce the execution of this Agreement; thereafter, Lilly and Terns may each

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disclose to Third Parties the information contained in such press release(s) without the need for further approval by the other. Furthermore, for purposes of clarity, notwithstanding anything to the contrary in this Agreement, either Party may disclose Confidential Information of the other Party if such Party is required to make such disclosure by Applicable Laws, including, in response to rules or guidance of the United States Internal Revenue Service or other taxing authority, or in other legal processes, including by the rules or regulations of the United States Securities and Exchange Commission (the "SEC") or similar regulatory agency in a country other than the United States or of any stock exchange or other securities trading institution and shall disclose only such Confidential Information of such other Party as is required to be disclosed.

10. REPRESENTATIONS, WARRANTIES, AND COVENANTS.

10.1 **Representations, Warranties, and Covenants of Lilly.** Lilly represents, warrants, and covenants to Terns that as of the Effective Date:

(a) it has the full right, power and authority to enter into this Agreement and to grant the license to the Covered Product under Article 8, and the fulfillment of its obligations and performance of its activities hereunder do not materially conflict with, violate, or breach or constitute a default under any material contractual obligation or court or administrative order by which Lilly is bound;

(b) [***], there are no legal claims, judgments or settlements against or owed by Lilly or pending legal claims or litigation, in each case relating to the Covered Product or Lilly Patents listed on Exhibit A of this Agreement;

(c) [***], there are no legal claims, judgments or settlements against or owed by Lilly or pending legal claims or litigation, in each case relating to the Lilly Patents;

(d) all necessary consents, approvals, certificates, registrations and authorizations of all government authorities and other persons required to be obtained by Lilly as of and after the Effective Date in connection with the execution, delivery and performance of this Agreement have been obtained;

(e) [***], it Controls the right, title and interest in and to the Know-How listed on Exhibit B used or generated by Lilly in connection with Lilly's Development of the Covered Product and Covered Compound and the Patents set forth in Exhibit A, has the right to grant to Terns the licenses that it purports to grant hereunder, and has not granted any Third Party rights that would interfere or be inconsistent with Terns' rights hereunder;

(f) [***], the Lilly Technology is not subject to any existing royalty or other payment obligations to any Third Party;

(g) [***], of any other Patents, Know-How, or other intellectual property right Controlled by Lilly or its Affiliates, other than that which is licensed hereunder to Terns, which the Development, Manufacture, use and/or Commercialization of Covered Product as contemplated hereunder would infringe;

(h) [***], it has disclosed to Terns a complete and accurate record of material

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information and data relating to the results of pre-clinical and clinical studies on the Covered Product conducted by or on behalf of Lilly including the status and interim results of ongoing clinical and preclinical studies, and the clinical development and Regulatory Approval activities undertaken to date, and such information and data is complete and accurate in material respects;

(i) [***], the Lilly Technology, Covered Products, and Covered Compounds do not infringe any Third Party intellectual property rights; and

10.2 **Representations, Warranties, and Covenants of Terns**. Terns represents, warrants, and covenants to Lilly that as of the Effective Date:

(a) it has the full right, power and authority to enter into this Agreement, to perform the Development, Manufacture and Commercialization of the Covered Product and the fulfillment of its obligations and performance of its activities hereunder do not materially conflict with, violate, or breach or constitute a default under any material contractual obligation or court or administrative order by which Terns is bound;

(b) all necessary consents, approvals and authorizations of all government authorities and other persons required to be obtained by Terns as of the Effective Date in connection with the execution, delivery and performance of this Agreement have been obtained;

(c) there are no legal claims, judgments or settlements against or owed by Terns or pending legal claims or litigation, in each case relating to any antitrust, anti-competitive, antibribery or corruption violations; and

(d) it is not, and will not be or become, a Party to any agreement or contractual obligation with a Third Party that conflicts with or is inconsistent with Terns' rights and obligations under this Agreement.

10.3 **No Other Representations or Warranties**. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, ARE MADE OR GIVEN BY OR ON BEHALF OF A PARTY. ALL REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

11. INDEMNIFICATION.

11.1 **By Terns**. Terns agrees to indemnify and hold harmless Lilly, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "**Lilly Indemnitee(s)**") from and against all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) incurred in connection with any claims, demands, actions or other proceedings by any Third Party (individually and collectively, "**Losses**") first arising after the Effective Date to the extent arising from (a) Manufacturing, Development and Commercialization activities, including the promotion of the Covered Product, by Terns, any of its Related Parties or Permitted Sublicensees, (b) the negligence, illegal conduct or willful

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misconduct of Terns, or (c) Terns' breach of any of its representations or warranties made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) through (c), except to the extent such Losses arise out of an Lilly Indemnitee's negligence, illegal conduct or willful misconduct, or breach of this Agreement.

11.2 **By Lilly**. Lilly agrees to indemnify and hold harmless Terns, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "**Terns Indemnitee (s)**") from and against all Losses to the extent arising from (a) the negligence, illegal conduct or willful misconduct of Lilly, or (b) Lilly's breach of any of its representations or warranties made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) and (b), except to the extent such Losses arise out of any of a Terns Indemnitee's negligence, illegal conduct or willful misconduct, or breach of this Agreement.

11.3 **Defined Indemnification Terms.** Either of the Terns Indemnitee or the Lilly Indemnitee shall be an "**Indemnitee**" for the purpose of this Article 11, and the Party that is obligated to indemnify the Indemnitee under Article 11.1 or Article 11.2 shall be the "**Indemnifying Party.**"

11.4 **Defense**. If any such claims or actions are made, the Indemnitee shall be defended at the Indemnifying Party's sole expense by counsel selected by the Indemnifying Party, provided that the Indemnitee may, at its own expense, also be represented by counsel of its own choosing. The Indemnifying Party shall have the sole right to control the defense of any such claim or action, subject to the terms of this Article 11.

11.5 **Settlement**. Subject to Article 11.7 of this Agreement, the Indemnifying Party may settle any such claim, demand, action or other proceeding or otherwise consent to an adverse judgment (a) with prior written notice to the Indemnitee but without the consent of the Indemnitee where the only liability to the Indemnitee is the payment of money and the Indemnifying Party makes such payment, or (b) in all other cases, only with the prior written consent of the Indemnitee, such consent not to be unreasonably withheld or delayed.

11.6 **Notice**. The Indemnitee shall notify the Indemnifying Party promptly of any claim, demand, action or other proceeding under Article 11.1 or Article 11.2 and shall reasonably cooperate with all reasonable requests of the Indemnifying Party with respect thereto.

11.7 **Permission by Indemnifying Party.** The Indemnitee may not settle any such claim, demand, action or other proceeding or otherwise consent to an adverse judgment in any such action or other proceeding or make any admission as to liability or fault without the express written permission of the Indemnifying Party.

11.8 **Limitation of Liability**. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS ARTICLE 11.8

IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER ARTICLE 11, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF CONFIDENTIALITY OBLIGATIONS IN ARTICLE 9.

12. INVENTIONS; INTELLECTUAL PROPERTY.

12.1 **Ownership of Intellectual Property**.

(a) Lilly shall remain the sole and exclusive owner of all Lilly Patents and Lilly Know-How. Terns shall remain the sole and exclusive owner of any Terns Patents and Terns Know-How.

(b) Lilly shall own all data, results and inventions, whether patentable or not, conceived or reduced to practice in connection with Lilly's activities under this Agreement solely by Lilly, including its consultants or Permitted Sublicensees, together with all intellectual property rights therein (the "**Lilly Developed IP**"). Terns shall own all data, results and inventions, whether patentable or not, conceived or reduced to practice in the course of the Development, Manufacture, and Commercialization of the Covered Product or otherwise in connection with Terns' activities under this Agreement solely by Terns, including its consultants or Permitted Sublicensees, together with all intellectual property rights therein (the "**Terns Developed IP**"). The Parties do not contemplate any joint activities that may result in the conception or reduction to practice of data results, or inventions, whether patentable or not, jointly by the Parties; provided, however, that if any data, results and inventions, whether patentable or not, are jointly conceived or reduced to practice by Lilly and Terns in connection with their activities under this Agreement shall be [***].

(c) Each Party hereby assigns all data, results and inventions to the other Party as necessary to achieve ownership as provided in Article 12.1(a) and Article 12.1(b). Each assigning Party shall execute and deliver all documents and instruments reasonably requested by the other Party to evidence or record such assignment or to file for, perfect or enforce the assigned rights without additional consideration. Each Party shall perform, and shall cause its Affiliates to perform, its activities under this Agreement through employees, independent contractors and agents who are required to assign their rights in any data, results and inventions to such Party (or its Affiliate) and to execute such agreements, instruments and documents as may be reasonably required to perfect such Party's (or its Affiliate's) rights in such data, results and inventions.

12.2 **Patent Filing, Prosecution and Maintenance.** Terns shall have sole responsibility and decision-making authority for all Patent Prosecution actions relating to (a) (i) the Lilly Patents set forth on Exhibit A and (ii) Patents contained in the Lilly Developed IP that are [***] the Covered Compounds or Covered Products, and (b) the Patents contained in the Terns Developed IP that are [***] the Covered Compounds or Covered Products ((a) and (b), the "**Terns Prosecuted Patents**"), at Terns' expense. Terns shall establish an overall strategy for the Patent Prosecution of Terns Prosecuted Patents. The primary objective of each such strategy shall be to [***]. Terns shall keep Lilly informed of the status of Patent Prosecution actions taken in the Territory with respect to Terns Prosecuted Patents, including regularly providing the informed entities with copies of all prospective patent applications and patent applications filed hereunder and other material submissions and correspondence with government agencies concerning the Terns Prosecuted Patents, as applicable. When applicable, for material Patent Prosecution events, Terns shall consider the advice and suggestions of Lilly's patent counsel before taking an action.

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12.3 **Patent Oppositions**. In consultation with the Parties' patent departments, the Parties will mutually decide whether and how to participate in Patent oppositions and undertake activities intended to invalidate Third Party Patents when necessary, at Terns expense. Each Party will keep the other Party informed and apprised of any such decisions and activities.

12.4 **Abandonment of Patent or Patent Prosecution**. Terns may in its sole discretion elect to discontinue Patent Prosecution in any country on a Patent-by-Patent as provided for under Article 12.2 above. Terns shall give prompt notice to Lilly if Terns declines to pay costs for the filing, prosecution or maintenance of a Terns Prosecuted Patent in any country of the Territory, and in such case, Lilly shall have the right to file, prosecute or maintain such Patent at its own expense. If Lilly decides to take over Patent Prosecution of such Patent, then Terns shall promptly deliver to Lilly copies of all necessary files related to such Patent with respect to which responsibility has been transferred and shall take all actions and execute all documents reasonably necessary for Lilly to assume such responsibility and shall assign such Patents to Lilly. As of the date of such notice of Terns' assignment or return to Lilly, Terns shall have no further liability to Lilly for such Patent aside from cooperating in the exchange of documents related to such Patent.

12.5 **Patent Prosecution Cooperation**. With respect to all Patent Prosecution each Party shall:

(a) execute any instruments to document their respective ownership consistent with this Agreement as reasonably requested by the other Party;

(b) make its employees, agents and consultants reasonably available to the other Party (or to the other Party's authorized attorneys, agents or representatives), to the extent reasonably necessary to enable the appropriate Party hereunder to undertake its Patent Prosecution responsibilities;

(c) cooperate, if necessary, with the other Party in gaining Patent term extensions; and

(d) act in good faith to coordinate its efforts under this Agreement with the other Party to minimize or avoid interference with the Patent Prosecution of the other Party's Patents to the Covered Product.

12.6 **Enforcement**.

(a) Notice. Each Party shall promptly provide, but in no event later than [***], to the other with written notice reasonably detailing any known or alleged infringement of any Patent or trademark owned or Controlled by either Party and subject to a license under this Agreement.

(b) Enforcement of Intellectual Property Rights. Terns shall have the first right (but shall not be obligated) to bring and control an action to enforce Lilly Patents against any Third Party believed to be infringing such Patent or misappropriating or otherwise violating any Lilly

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Know-How in the Territory, at its cost; provided, however, that Terns shall consult in advance with Lilly regarding such action. If Terns does not abate such violation of the Lilly Patent or Lilly Know-How by commencement of a lawsuit against the Third Party if necessary, then Lilly shall have the second right (but shall not be obligated) to take all actions reasonably necessary to abate such violation, including commencement of a lawsuit against the Third Party if necessary, at its cost; The primary objective of any patent enforcement action shall be [***]. All amounts recovered from enforcement of any such rights by either Party relating to the intellectual property licensed under this Agreement shall be first used to reimburse each Party's costs and expenses incurred in connection with such action, and any remainder of such recovery shall be [***].

(c) Cooperation in Enforcement Proceedings. For any action by a Party pursuant to sub-article (b) above, in the event that such Party is unable to initiate or prosecute such action solely in its own name, the other Party will join such action voluntarily and will execute all documents necessary for such Party to initiate, prosecute and maintain such action. If either Terns or Lilly initiates an enforcement action pursuant to Article 12.6(b), then the other Party shall cooperate to the extent reasonably necessary and at the first Party's sole expense (except for the expenses of the non-controlling Party's counsel, if any). Upon the reasonable request of the Party instituting any such action, such other Party shall join the suit and can be represented in any such legal proceedings using counsel of its own choice. Each Party shall assert and not waive the joint defense privilege with respect to all communications between the Parties reasonably the subject thereof.

12.7 **Defense**.

(a) Notice. Each Party shall notify the other in writing of any allegations it receives from a Third Party that the Manufacture, production, use, Development, Commercialization or distribution of any Covered Product or any technology or intellectual property licensed by a Party under this Agreement infringes the intellectual property rights of such Third Party. Such notice shall be provided promptly, but in no event after more than [***], following receipt of such allegations. Such written notice shall include a copy of any summons or complaint (or the equivalent thereof) received regarding the foregoing. Each Party shall assert and not waive the joint defense privilege with respect to all communications between the Parties.

(b) Conduct of Defense. In such event, the Parties shall agree how best to mitigate or control the defense of any such legal proceeding, agree whether to enter into a joint defense agreement to, among other reasons, preserve the confidentiality of communications or cooperation between the Parties in relation to such defense, and determine which Party is best suited to assume the primary responsibility for the conduct of the defense of any such claim at their expense. The other Party shall have the right, but not the obligation, to participate and be separately represented in any such suit at its sole option and at its own expense. Each Party shall reasonably cooperate with the Party conducting the defense of the claim. If a Party or any of its Affiliates have been individually named as a defendant in a legal proceeding relating to the alleged infringement of a Third Party's Patents or other intellectual property right as a result of the Manufacture, production, use, Development, Commercialization or distribution of the Covered Product, then that Party shall conduct the defense and the other Party shall be allowed to join in such action, at its own expense.

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(c) Status; Settlement. The Parties shall keep each other informed of the status of and of their respective activities regarding any infringement litigation initiated by a Third Party concerning a Party's Manufacture, production, use, Development, Commercialization or distribution of the Covered Product or settlement thereof; provided, however, that no settlement or consent judgment or other voluntary final disposition of a suit under this Article 12.7(c) may be undertaken by a Party without the consent of the other Party which consent shall not be unreasonably withheld or delayed.

(d) Limitations. Notwithstanding anything to the contrary in this Article 12.7, if a Party is an Indemnifying Party with respect to any Losses stemming from a claim or action by a Third Party alleging infringement of a Third Party's Patents or other intellectual property right as a result of the Manufacture, production, use, Development, Commercialization or distribution of the Covered Product or any technology or intellectual property licensed by a Party under this Agreement, Article 11 shall supersede this Article 12.7 with respect to the defense and settlement of such action or claim to the extent there are conflicts.

13. TERMS AND TERMINATION.

13.1 **Term**. This Agreement shall be effective as of the Effective Date and unless terminated earlier pursuant to Articles 13.2, 13.3, or 13.4, shall continue in effect on a country-by-country basis until the expiration of the Royalty Term (the "**Term**"). Upon the natural expiration of this Agreement as contemplated in this Article 13.1, Terns' license granted under this Agreement for the Covered Product in such country shall become a fully paid-up, irrevocable, non–exclusive, perpetual license.

13.2 **Unilateral Termination by Terns**. Terns shall have the right to terminate this Agreement in its entirety or on a Covered Product-by-Covered Product and country-by-country basis, in its sole discretion by giving one hundred eighty (180) days advance written notice to Lilly.

13.3 **Termination for Breach**. This Agreement may be terminated in its entirety at any time during the Term upon written notice by either Party if the other Party materially breaches this Agreement and, if such breach is curable, such breach has not been cured within ninety (90) days after notice requesting cure of such breach; provided, however, that if such breach is not reasonably subject to cure within ninety (90) days, subject to commercially reasonable efforts (which in no event shall be less than reasonably diligent efforts) being undertaken by the breaching Party throughout such 90-day period and thereafter to cure such breach as promptly as possible, this Agreement may not be terminated pursuant to this Article 13.3 unless such breach is not cured within one hundred eighty (180) days following notice requesting cure of such breach.

13.4 **Termination for Insolvency**.

(a) Each Party shall have the right to terminate this Agreement upon delivery of written notice to the other Party in the event that (i) such other Party files in any court or agency pursuant to any statute or regulation of any jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of such other Party or its assets, (ii) such other Party is served with an involuntary petition against it in any insolvency proceeding and such involuntary petition has not been stayed or dismissed within ninety (90) days of its filing, or (iii) such other Party makes an assignment of substantially all of its assets for the benefit of its creditors.

(b) All rights and licenses granted under or pursuant to any Article of this Agreement are and shall otherwise be deemed to be for purposes of Section 365(n) of Title 11, United States Code (the "**Bankruptcy Code**") licenses or rights to "intellectual property" (as defined in Section 101(35A) of Bankruptcy Code). Each Party hereby acknowledges that (i) copies of research data, (ii) laboratory samples, (iii) product samples, (iv) formulas, (v) laboratory notes and notebooks, (vi) data and results related to clinical trials, (vii) Regulatory Filings and Regulatory Approvals, (viii) rights of reference in respect of Regulatory Filings and Regulatory Approvals, (ix) pre-clinical research data and results, and (x) marketing, advertising and promotional materials, in each case, that relate to such intellectual property, constitute "embodiments" of such intellectual property pursuant to Section 365(n) of the Bankruptcy Code. Each Party agrees not to interfere with the other Party's exercise, pursuant to Section 365(n) of the Bankruptcy Code, of rights and licenses to intellectual property licensed hereunder and embodiments thereof and agrees to use commercially reasonable efforts to assist such other Party to obtain such intellectual property and embodiments thereof in the possession or control of Third Parties as reasonably necessary for such other Party to exercise, pursuant to Section 365(n) of the Bankruptcy Code, such rights and licenses. Each Party shall take any and all action requested by the other Party to ensure that the foregoing provisions of this Article 13.4(b) may be fully effectuated under Applicable Laws, and, if requested by the other Party, each Party shall procure that any past, existing or future creditor of the other Party irrevocably waives in writing any and all rights that such creditor may have to the intellectual property licensed hereunder and embodiments thereof.

13.5 **Termination for Patent Challenge.** Lilly may terminate this Agreement by providing thirty (30) days prior notice to Terns in the event Terns or any of its Affiliates voluntarily, whether directly or indirectly, challenges the validity of the Lilly Patents (or Patents contained in Lilly Developed IP) in a legal proceeding or supports a Third Party in the challenge of a Lilly Patent in a legal proceeding [***]. In the event a Sublicensee of Terns voluntarily challenges the validity of a Lilly Patent (or Patents contained in Lilly Developed IP), Lilly may terminate this Agreement hereunder upon thirty (30) days' notice to Terns, if Terns does not terminate such sublicense agreement or such challenge is not withdrawn or settled (by such Sublicensee or Terns) within the thirty (30) day notice period.

13.6 **Effect of Termination**.

(a) General. Upon the termination of this Agreement in its entirety or on a Covered Product-by-Covered Product and country-by-country basis for any reason, [***]. Termination of this Agreement for any reason shall not release either Party of any obligation or liability which, at the time of such termination, has already accrued to the other Party or which is attributable to a period prior to such termination. Notwithstanding anything herein to the contrary, termination of this Agreement by a Party shall be without prejudice to other remedies such Party may have at law or equity. Except as otherwise provided in this Article 13.6, neither Party shall be required to return any upfront payment, milestone payments, or royalties received by a Party prior to the effective date of the expiration or termination of this Agreement.

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(b) Additional Provisions. Upon termination of this Agreement pursuant to [***], the following provisions will apply:

(i) Cessation of Ongoing Trials. If there are any ongoing clinical trials with respect to the Covered Product being conducted by or on behalf of Terns or its Affiliates or Sublicensees at the time of the notice of termination, Terns agrees to promptly terminate such clinical trials in an orderly manner that ensures patient safety, continuity of treatment, if appropriate, and compliance with Applicable Laws. Upon early termination of this Agreement, the Parties shall cooperate to provide for an orderly cessation of any clinical trials. Each Party further agrees to take no action or forego taking action if such action or forbearance would in any manner jeopardize patient safety or cause the other Party to violate any Applicable Laws. Notwithstanding anything to the contrary, the Parties agree and acknowledge that any expense or liability associated with the activities contemplated under this Article 13.6(b)(i) shall be entirely borne by Terns.

(ii) Wind-Down. Terns shall reasonably cooperate with Lilly to facilitate a smooth, orderly and prompt transition of any ongoing Covered Product development activities being conducted by or on behalf of Terns or its Affiliates to Lilly or its designee(s), with due regard for patient safety and in compliance with all Applicable Laws. In particular, Terns shall (i) promptly inform Lilly on the status of the ongoing clinical trials, including the estimated timelines, budgets and required resources, and answer any reasonable question Lilly may have regarding such clinical trials at Lilly's cost; and (ii) wind down in an orderly fashion any clinical trials and cease all other development activities, or, at the election of Lilly, if practicable under Applicable Laws, Terns shall permit Lilly to take over such development activities, with Lilly paying any costs incurred by Terns, *provided that* Terns promptly informs Lilly in writing on all material development activities and associated costs and Lilly provides written notice to Terns of its intent to take over such development activities prior to effective termination of this Agreement or within thirty (30) days after receipt of the information on the ongoing development activities, whichever is earlier. Upon receipt of such notice by Lilly, if practicable under Applicable Laws, Terns shall: (x) transfer data and information related to the terminated Covered Products that is necessary to advance the program as Terns was advancing such program as of the effective date of termination; (y) offer to make available Covered Products still on stock at Lilly at a reasonable price and upon terms to be negotiated by the Parties in good faith; and (z) provide all support at Lilly's cost as reasonably required for Lilly to take over the development activities, and the Parties shall discuss in good faith the details of a transfer of the respective clinical trials and other development activities to Lilly. If and to the extent Lilly decides to take over the development activities, Lilly shall be responsible for the costs of such development activities which are being incurred by either Party after the effective date of termination.

(iii) Demand for Transfer of Regulatory Approvals. If assignment and transfer is practicable under Applicable Laws, Lilly shall be entitled to demand from Terns the assignment and transfer of Regulatory Approvals held by Terns, its Affiliates or Sublicensees and if Regulatory Approvals have not been obtained by Terns, its Affiliates or Sublicensees, Lilly may request that Terns transfers to Lilly the status of any application for the Regulatory Approvals and notifies the competent Regulatory Authority thereof and supplies Lilly with all documents and clinical data already prepared by Terns, its Affiliates or Sublicensees to the extent necessary for the filing of applications for Regulatory Approvals (with Terns promptly undertaking such actions at Lilly's cost);

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(iv) Non-Exclusive License to Terns' IP. Terns' shall grant to Lilly, upon the effective date of such termination a [***], non-exclusive, [***], and worldwide license (with the right to sublicense in multiple tiers) to the Terns intellectual property solely for purposes of the research, development, registration, manufacture (including formulation), distribution, sale, use, import and/or export of the Covered Products being terminated as such Covered Products exist as of the effective date of termination and solely to the extent such Terns' intellectual property has been used for the research, development, registration, manufacture (including formulation), distribution, sale, use, import and/or export of the Covered Products (as such exist on the date of termination).

(v) Return of Confidential Information. Upon expiration or other termination of this Agreement, the Receiving Party agrees to remove all copies and instances of the Disclosing Party's Confidential Information, including any data provided by the Disclosing Party hereunder, from the Receiving Party's systems and files, and at the Disclosing Party's discretion either promptly return all of the Disclosing Party's Confidential Information or destroy all of the Disclosing Party's Confidential Information in its possession, and certify to the same; provided, that, the Receiving Party shall not be required to return copies of the Disclosing Party's Confidential Information retained in the Receiving Party's automatic electronic back-ups, subject to the Receiving Party's compliance with the obligations of confidentiality and non-use under this Agreement with respect to such Confidential Information of the Disclosing Party for so long as such back-ups are retained.

(c) Non-Exclusive Remedy. If either Party has the right to proceed under Article 13.3, it may at its sole option, elect either to (i) terminate this Agreement and pursue any legal or equitable remedy available to it or (ii) maintain this Agreement in effect and pursue any legal or equitable remedy available to it.

13.7 **Survival**.

The following provisions shall survive the termination or expiration of this Agreement for any reason: Articles 1,7 (to the extent payments have accrued, and with respect to payments that have accrued, prior to the effective date of termination), 9.1, 9.2(a), 11, 12.1, 13.6, 13.7, 14, and 15. For purposes of clarity, termination of this Agreement for any reason whatsoever shall not relieve Terns of its obligations to pay all royalties, milestones and other amounts payable to Lilly which have accrued prior to, but remain unpaid as of, the date of expiration or termination hereof.

14. DISPUTE RESOLUTION

14.1 **Disputes.** The Parties recognize that disputes as to certain matters may from time to time arise which relate to either Party's rights or obligations hereunder. It is the objective of the Parties to establish procedures to facilitate the resolution of such disputes in an expedient manner by mutual cooperation; however, should a dispute arise, the Parties agree to follow the arbitration procedures set forth in Article 14.2.

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14.2 **Arbitration Procedures.** In the event of a dispute, that cannot be resolved through good faith negotiations as set forth above, the dispute shall be referred to and finally resolved by arbitration in the following manner:

(a) The dispute shall be settled by arbitration in New York, USA under the Rules of Arbitration of the International Chamber of Commerce (the "**Rules**") in force when the notice of arbitration is submitted in accordance with the Rules. There shall be [***] arbitrators appointed in the following manner: each Party shall nominate an arbitrator for confirmation as provided in the Rules and following their confirmation, the third arbitrator shall be appointed by the International Court of Arbitration of the International Chamber of Commerce; provided, however, that such [***] arbitrator shall have substantive expertise in the pharmaceutical industry.

(b) The arbitral proceedings shall be conducted in English. To the extent that the Rules are in conflict with the provisions of this Article 14.2, including the provisions concerning the appointment of the arbitrator, the provisions of this Article 14.2 shall prevail.

(c) Each Party to the arbitration shall cooperate with each other Party to the arbitration in making full disclosure of and providing complete access to all information and documents requested by such other Party in connection with such arbitral proceedings, subject only to any confidentiality obligations binding on such Party.

(d) The award of the arbitral tribunal shall be final and binding upon the Parties a party thereto, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award.

(e) Any Party that is a party to the dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

15. MISCELLANEOUS.

15.1 **Force Majeure**. Neither Party shall be held liable to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in performing any obligation under this Agreement to the extent such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including, but not limited to, embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, fire, floods, or other acts of God, or acts, omissions or delays in acting by any Governmental Authority. The affected Party shall notify the other Party of such force majeure circumstances as soon as reasonably practical, and shall promptly undertake all commercially reasonable efforts necessary to cure such force majeure circumstances.

15.2 **Assignment or Change of Control**.

(a) Except as otherwise set forth in this Agreement, this Agreement and its rights, privileges, and obligations may not be assigned or otherwise transferred by either Party without the prior written consent of the other Party; provided that either Party may assign, without consent but with prior written notice, such Party's rights and obligations, in whole or in part, under this Agreement (i) in connection with a merger, consolidation, or sale of substantially all of the

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assigning Party's assets related to this Agreement to an unrelated Third Party, (ii) in connection with a Change of Control, or (iii) to an Affiliate of such Party (in which case the Affiliate to whom any rights or obligations have been assigned shall be considered a "Party" to this Agreement for purposes of such rights and obligations); provided that in the case of an assignment of obligations by Terns to a Terns Affiliate, if such Terns Affiliate fails to perform such obligations, then Terns shall remain liable in all respects under this Agreement for such obligations, notwithstanding the assignment to such Affiliate. For clarity, Article 15.2(a)(iii) includes the right for Terns to assign any rights or obligations under this Agreement to an Affiliate in Mainland China, and in case of such assignment, such Affiliate would make payments required under this Agreement directly to Lilly.

(b) For the purposes of this Agreement, a "**Change of Control**" of a Party occurs upon (i) the closing of a sale of all or substantially all of the assets of such Party to a Third Party in one transaction or series of transactions, (ii) the closing of a merger or other business combination or transaction that results in a Third Party owning, directly or indirectly, of more than fifty percent (50%) of the voting securities of such Party, or (iii) the closing of a transaction, following which a Third Party acquires direct or indirect ability or power to direct or cause the direction of the management and policies of such Party or otherwise direct the affairs of such Party, whether through ownership of equity, voting securities, beneficial interest, by contract, or otherwise, provided that for the purposes of this Agreement, a Change of Control shall not be deemed to have taken place if such Change of Control transaction involves a reorganization or similar transaction amongst the direct or indirect shareholders or Affiliates of such Party, following which a shareholder or Affiliate of such Party emerges as the direct or indirect owner of more than fifty percent (50%) of the voting securities, or owning all or substantially all the assets of the Party, or acquiring the direct or indirect ability or power to direct or cause the direction of the management and policies of such Party. Any assignee must assume in writing the obligations of the assigning Party to which it is the assignee or successor. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and assigns. Any attempted assignment or transfer of this Agreement not in accordance with this Article 15.2 shall be null and void.

15.3 **Severability.** If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the Parties. The Parties shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision (s) with valid, legal and enforceable provision (s) which, insofar as practical, implement the purposes of this Agreement.

15.4 **Notices**. All notices which are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Terns:

Terns Pharmaceuticals, Inc.
1810 Gateway Drive, Suite 320
San Mateo, California 94404 USA
Attention: ***
Telephone: ***

With a copy to:

Ropes & Gray LLP
36F, Park Place 1601 Nanjing Road West
Shanghai 200040, China
Attention: ***
Telephone: ***
Facsimile: + 86 21 6157 5299

If to Lilly:

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285 USA
Attention: Sr. Vice President Corporate Business Development
Facsimile: 317-433-3000

With a copy to:

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285 USA
Attention: General Counsel
Facsimile: 317-433-3000

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a Business Day; (b) on the Business Day after dispatch if sent by nationally-recognized overnight courier; or (c) on the fifth (5th) Business Day following the date of mailing if sent by mail.

15.5 **Applicable Law and Litigation.** All questions of inventorship will be determined in accordance with U.S. patent laws. In respect to all other Patent issues, the rights of the Parties will be governed by the laws of the jurisdiction in which the applicable Patent is filed or granted. In all other respects, this Agreement shall be governed by and construed in accordance with the laws of New York, USA without reference to any rules of conflict of laws.

15.6 **Entire Agreement; Amendments.** This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, with regard to the subject matter hereof (including the licenses granted hereunder) are superseded by the terms of this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representatives of both Parties hereto.

15.7 **Headings.** The captions to the several Articles hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the Articles and Articles of this Agreement.

15.8 **Independent Contractors**. It is expressly agreed that Lilly and Terns shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither Lilly nor Terns shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party.

15.9 **Waiver**. The waiver by either Party of any right hereunder, or the failure of the other Party to perform, or a breach by the other Party, shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise.

15.10 **Waiver of Rule of Construction**. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

15.11 **Construction**. Except where the context expressly requires otherwise, (a) the use of any gender herein shall be deemed to encompass references to either or both genders, and the use of the singular shall be deemed to include the plural (and vice versa), (b) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (c) the word "will" shall be construed to have the same meaning and effect as the word "shall", (d) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (e) any reference herein to any person shall be construed to include the person's successors and assigns, (f) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (g) all references herein to Articles or Exhibits shall be construed to refer to Articles or Exhibits of this Agreement, and references to this Agreement include all Exhibits hereto, (h) the word "notice" means notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement, (i) provisions that require that a Party, the Parties or any committee hereunder "agree", "consent" or "approve" or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise (but excluding e-mail and instant messaging), (j) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed

to include the then-current amendments thereto or any replacement or successor law, rule or regulation thereof, and (k) the term "or" shall be interpreted in the inclusive sense commonly associated with the term "and/or."

15.12 **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. Each Party shall be entitled to rely on the delivery of executed facsimile copies of counterpart execution pages of this Agreement and such facsimile copies shall be legally effective to create a valid and binding agreement among the Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

TERNS PHARMACEUTICALS, INC.

By: /s/ Weidong Zhong
Name: Weidong Zhong

Title: President and CEO

ELI LILLY AND COMPANY

By: /s/ Jan Lundberg
Name: Jan Lundberg

Title: Exec. VP/President Lilly Research Labs

Schedule 1.14, Compound

[***]

Schedule 1.13

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

Exhibit A, Lilly Patents

[***]

Exhibit A

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Exhibit B, Materials/Lilly Know-How to be Transferred

[***]

Exhibit B

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Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXCLUSIVE LICENSE

between

TERNS PHARMACEUTICALS, INC.

and

ELI LILLY AND COMPANY

EXCLUSIVE LICENSE AGREEMENT

This Exclusive License Agreement (this "**Agreement**"), effective as of March 9, 2018 (the "**Effective Date**"), is entered into by and among Terns Pharmaceuticals, Inc., an exempted company incorporated under the laws of the Cayman Islands having a place of business P. O. Box 613, Harbor Center, George Town, Grand Cayman KYl-1107, Cayman Islands ("**Terns**") and Eli Lilly and Company, a U.S.A. company, organized and existing under the laws of the State of Indiana, having a place of business at Lilly Corporate Center, Indianapolis, Indiana 46285, USA ("**Lilly**"). Lilly and Terns may be referred to herein individually as a "**Party**" or collectively as the "**Parties.**" Reference to a Party shall be deemed to include that Party's Affiliates.

Recitals:

WHEREAS, Lilly is the owner of LY3379274, semicarbazide-sensitive amine oxidase/vascular adhesion protein-1 (SSAO) inhibitor, and desires to have LY3379274 developed, manufactured, and commercialized as a pharmaceutical product;

WHEREAS, Terns is an international pharmaceutical company having experience in the development, manufacture and commercialization of pharmaceutical products;

NOW, THEREFORE, Lilly and Terns desire to enter into this worldwide, exclusive license wherein Terns will develop, manufacture, and commercialize in China and in other countries worldwide.

In consideration of the foregoing premises and the mutual covenants herein contained, the Parties hereby agree as follows:

Agreement:

1. DEFINITIONS.

Unless specifically set forth to the contrary herein, the following terms, whether used in the singular or plural, shall have the respective meanings set forth below:

1.1 "**Additional Third Party License**" shall have the meaning set forth in Article 7.4(a).

1.2 "**Affiliate**" means with respect to any Party, any person or entity controlling, controlled by or under common control with such Party. For purposes of this Article 1.2, "control" means (a) in the case of a corporate entity, direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of directors of such corporate entity and (b) in the case of an entity that is not a corporate entity, the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

1.3 "**Agreement**" shall have the meaning set forth in the introduction to this agreement.

1.4 "**Applicable Laws**" means all statutes, ordinances, regulations, rules or orders of any kind whatsoever of any Governmental Authority that may be in effect from time to time and applicable to the activities contemplated by this Agreement.

1.5 "**Backup Compound**" means (a) a backup compound to the Compound of Lilly, but only to the extent such backup compound is disclosed in patent listed in Exhibit A, (b) a [***] of the compound specified in (a) above wherein the [***] has [***] activity as a semicarbazide-sensitive amine oxidase/vascular adhesion protein-1 inhibitor, and (c) any [***] of the compound specified in (a) above.

1.6 "**Bankruptcy Code**" shall have the meaning set forth in Article 13.4(b).

1.7 "**Business Day**" means a day other than a Saturday, Sunday, or a bank or other public holiday in Mainland China or in the United States.

1.8 "**Calendar Quarter**" means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.9 "**Calendar Year**" means the respective periods of twelve (12) months commencing on January 1 and ending on December 31.

1.10 "**cGMP**" means all applicable current Good Manufacturing Practices including, as applicable, (a) the principles detailed in the U.S. Current Good Manufacturing Practices, 21 C.F.R. Parts 4, 210, 211, 601, 610 and 820, (b) European Directive 2003/94/EC and Eudralex 4, (c) the principles detailed in the ICH Q7 guidelines, and (d) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time.

1.11 "**Change of Control**" shall have the meaning set forth in Article 15.2(b).

1.12 "**CMC**" means chemistry, manufacturing, and control.

1.13 "**Commercialization**" or "**Commercialize**" means activities relating specifically to the pre-launch, preparation for drug reimbursement, organizing formulary access and drug distribution, preparation and initiation of medical education and liaison activities, First Commercial Sale in any country in the Territory, promotion, marketing, sales force recruitment, pricing determination, and sale of a pharmaceutical Covered Product and post-launch medical activities, including: (a) the commercial sale, (b) strategic marketing, sales force detailing, advertising, and market and Covered Product support; (c) medical education and liaison and any phase IV clinical studies not requested or required by the Regulatory Authority in the Territory or to maintain Regulatory Approvals in the Territory; (d) all customer support and Covered Product distribution, invoicing and sales activities; and (e) target Covered Product profile, pricing, formulary and reimbursement related activities including pricing and reimbursement approvals.

1.14 "**Compound**" means (a) a compound designated by Lilly as LY3379274, having the chemical structure set forth in Schedule 1.14, (b) a [***] of the compound specified in (a) above wherein the [***] has [***] activity as a semicarbazide- sensitive amine oxidase/vascular adhesion protein-I inhibitor, and (c) any [***] of the compound specified in (a) above.

1.15 "**Confidential Information**" means all confidential information of the Disclosing Party or its Affiliates, regardless of its form or medium as provided to the Receiving Party or its Affiliates in connection with this Agreement; provided that, Confidential Information shall not include any information that the Receiving Party can show by competent evidence: (a) is already known to the Receiving Party at the time it is disclosed to the Receiving Party by the Disclosing Party without an obligation of confidentiality and not through a prior disclosure by the Disclosing Party; (b) is or becomes generally known to the public through no act or omission of the Receiving Party in violation of the terms of this Agreement; (c) has been lawfully received by the Receiving Party from a Third Party without restriction on its disclosure and without, to the knowledge of the Receiving Party, a breach by such Third Party of an obligation of confidentiality to the Disclosing Party; or (d) has been independently developed by the Receiving Party without use of or reference to the Confidential Information of the Disclosing Party.

1.16 "**Control**," "**Controls**" or "**Controlled by**" means (except as used in Article 1.2, above), with respect to any item of or right under Patents or Know-How, the ability of a Party (whether through ownership or license or other right), other than pursuant to this Agreement, to grant access to, license or sublicense such item or right without violating the terms of any agreement or other arrangement with any Third Party existing at the time such Party would be required hereunder to grant the other Party such access or license or sublicense.

1.17 "**Co-Promotion Option Period**" shall have the meaning set forth in Article 8.2.

1.18 "**Covered Compound**" means the Compound and the Backup Compounds.

1.19 "**Covered Product**" means any and all pharmaceutical products containing a Covered Compound, whether alone or in combination with other active or inactive ingredients.

1.20 "**Data Exclusivity Period**" means, with respect to a Covered Product in a country, the period during which the Regulatory Authority responsible for approval or authorization of the sale of drugs confers exclusive marketing rights or data exclusivity rights to the owner of the regulatory submission materials for such Covered Product in such country, including the prohibition of reference, without the consent of the owner, to the clinical and other data that is contained in such regulatory submission materials.

1.21 "**Develop**" or "**Development**" or "**Developing**" means research, discovery, and preclinical and clinical drug or biological development activities, including test method development and stability testing, toxicology, formulation, quality assurance/quality control development, **CMC,** statistical analysis, preclinical and clinical studies and regulatory affairs, approval and registration, in each case, of a Covered Product for use in the Field, and to the extent normally undertaken during the development (as opposed to Commercialization) phase of such Covered Product's life cycle. Development shall include all phase IV clinical studies requested or required by the Regulatory Authority in the Territory or to maintain Regulatory Approvals in the Territory.

1.22 "**Disclosing Party**" shall have the meaning set forth in Article 9.1.

1.23 "**Effective Date**" shall have the meaning set forth in the introduction in this Agreement.

1.24 "**Ex-Greater China**" means all countries of the world, excluding People's Republic of China, Hong Kong, Macau, and Taiwan.

1.25 "**Field**" means all uses and all indications in humans.

1.26 "**First Commercial Sale**" means, with respect to the Covered Product, the first sale to a Third Party after receipt of applicable Regulatory Approval for end use or consumption of such Covered Product in the Territory (unless otherwise specified).

1.27 "**FTE**" means the equivalent of the work of a full-time individual for a 12-month period.

1.28 "**FTE Rate**" means a rate of [***] per FTE per year, to be pro-rated on an hourly basis of [***] per FTE per hour, assuming [***] per year for an FTE.

1.29 "**GAAP**" means U.S. Generally Accepted Accounting Principles as the same may be in effect from time to time, as generally and consistently applied.

1.30 "**GCP**" shall have the meaning set forth in Article 3.l(b).

1.31 "**Generic Competition**" means, with respect to the Covered Product in a country in the Territory, one (1) or more Third Parties have received Regulatory Approval to sell a Generic Covered Product to such Covered Product in such country in the Territory and such Generic Covered Product(s) is commercially available in such country in the Territory.

1.32 "**Generic Covered Product**" means in relation to a Covered Product, a product that is (a) independently developed and commercialized by a Third Party (and is not a Sublicensee of Terns or its Affiliates and did not purchase such pharmaceutical product in a chain of distribution that included any of Terns, its Affiliates or their Sublicensees), and (b) a pharmaceutical product that contains the same active ingredient(s) in a comparable quality and quantity as such Covered Product which is approved by the applicable Regulatory Authority for sale in a country in the Territory for use for the same indication or indications for which the Covered Product has received Regulatory Approval in such country in the Territory under a generic approval pathway as a generic product of the Covered Product in such country in the Territory.

1.33 "**GLP**" shall have the meaning set forth in Article 3.l(b).

1.34 "**Governmental Authority**" means any court, commission, authority, department, ministry, official or other instrumentality of, or being vested with public authority under any law of, any country, state or local authority or any political subdivision thereof, or any association of countries.

1.35 "**Greater China**" means the People's Republic of China, Hong Kong, Macau, and Taiwan.

1.36 "**ICH**" shall have the meaning set forth in Article 3.l(b).

1.37 "**Indemnifying Party**" shall have the meaning set forth in Article 11.3.

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1.38 "**Indemnitee**" shall have the meaning set forth in Article 11.3.

1.39 "**Know-How**" means (a) any proprietary scientific or technical information, results and data of any type whatsoever, in any tangible or intangible form whatsoever, including databases, safety information, practices, methods, techniques, specifications, formulations, formulae, knowledge, know-how, skill, experience, test data including pharmacological, medicinal chemistry, biological, chemical, biochemical, toxicological, pre-clinical and clinical test data, analytical and quality control data, stability data, studies and procedures, and manufacturing process and development information, results and data and (b) any proprietary biological, chemical or physical materials.

1.40 "**Lilly**" shall have the meaning set forth in the introduction of this Agreement.

1.41 "**Lilly Developed IP**" shall have the meaning set forth in Article 12.1(b).

1.42 "**Lilly lndemnitee(s)**" shall have the meaning set forth in Article 11.1.

1.43 "**Lilly Know-How**" means any and all Know-How, to the extent Controlled by Lilly as of the Effective Date or during the Term, that was/is used or generated by Lilly in connection with Lilly's Development of the Covered Product or Covered Compound but only to the extent such Know-How is necessary or useful in connection with the Development, Manufacture, Commercialization or other use of the Covered Compound or Covered Product in the Field in the Territory. Lilly Know-How excludes any Lilly Developed IP.

1.44 "**Lilly Patents**" means Patents in the Territory Controlled by Lilly as of the Effective Date or during the Term that contain one or more claims to the composition of matter, manufacture, or use of a Covered Product. Lilly Patents as of the Effective Date are listed on Exhibit A attached hereto. Lilly Patents excludes any Lilly Developed IP.

1.45 "**Lilly Technology**" means the Lilly Know-How, Lilly Patents, and Lilly Developed IP.

1.46 "**Losses**" shall have the meaning set forth in Article 11.1.

1.47 "**Major Market**" means each of the Mainland China, United States, Japan, France, Germany, Italy, Spain and the United Kingdom.

1.48 "**Mainland China**" means the People's Republic of China, which for the purposes of this Agreement shall exclude Hong Kong, Macau, and Taiwan.

1.49 "**Manufacture**" or "**Manufacturing**" or "**Manufactured**" means all operations involved in the manufacturing, quality control testing (including in-process, release and stability testing, if applicable), storage, releasing and packaging the Covered Product.

1.50 "**Manufacturing Authorization**" means any and all consents or other authorizations or approvals from a Governmental Authority or Regulatory Authority in a country in the Territory, that is necessary for the Manufacture of the Covered Product in such country in the Territory, and any supplement, amendment or variation thereof.

1.51 "**Materials**" means reference and starting materials including the Covered Compounds and the active pharmaceutical ingredient (API) of the Covered Product or other materials as may be defined by the Parties.

1.52 "**NDA**" means with respect to a Covered Product in a country or regulatory jurisdiction, an application to obtain Regulatory Approval which approves selling and/or marketing such Covered Product in such country or regulatory jurisdiction.

1.53 "**NDA Approval**" means Regulatory Approval of an NDA for a Covered Product in any country or regulatory jurisdiction.

1.54 "**Net Sales**" shall mean, with respect to a Covered Product, the gross amount invoiced by Terns (including a Terns Affiliate) or any Sublicensee thereof, as applicable, to unrelated Third Parties (excluding any non-end user Sublicensee), for the Covered Product in the Territory, less the following items consistent with GAAP consistently applied:

(a) trade, quantity and cash discounts allowed;

(b) discounts, refunds, rebates, chargebacks, retroactive price adjustments, and any other similar allowances which effectively reduce the net selling price (but excluding sales force commissions);

(c) Covered Product returns and allowances;

(d) any tax imposed on the production, sale, delivery or use of the Covered Product, including without limitation sales, use, excise or value added taxes, or the annual fee imposed on the pharmaceutical manufacturers by the U.S. government (directly attributable to the Covered Product's Net Sales in the U.S.), but excluding income tax;

(e) allowance for distribution expenses [***]; and

(f) [***] in accordance with GAAP [***].

Such amounts shall be determined from the books and records of Terns, its Affiliate or Sublicensee, maintained in accordance with GAAP or in the case of Sublicensees, such similar accounting principles, consistently applied. Terns further agrees that, in determining such amounts, it will use Terns' then current standard procedures and methodology, including Terns' then current standard exchange rate methodology for the translation of foreign currency sales into U.S. Dollars or, in the case of Sublicensees, such similar methodology, consistently applied.

In the event that the Covered Product is sold as part of a Combination Product (where "**Combination Product**" means any pharmaceutical product which comprises the Covered Product and other active compound(s) and/or ingredients), the Net Sales of the Covered Product, for the purposes of determining royalty payments, shall be determined by multiplying the Net Sales of the Combination Product (which shall be calculated consistently throughout this Article 1.54 by using the terms in the standard Net Sales definition but applying them to the Combination Product rather than to a Covered Product) by the fraction, A / (A+B) where A is the weighted average sale price of the Covered Product when sold separately in finished form, and B is the weighted average sale price of the other product(s) sold separately in finished form.

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In the event that the weighted average sale price of the Covered Product can be determined but the weighted average sale price of the other product(s) cannot be determined, Net Sales for purposes of determining royalty payments shall be calculated by multiplying the Net Sales of the Combination Product by the fraction A / C where A is the weighted average sale price of the Covered Product when sold separately in finished form and C is the weighted average sale price of the Combination Product.

In the event that the weighted average sale price of the other product(s) can be determined but the weighted average sale price of the Covered Product cannot be determined, Net Sales for purposes of determining royalty payments shall be calculated by multiplying the Net Sales of the Combination Product by the following formula: one (1) minus (B / C) where B is the weighted average sale price of the other product(s) when sold separately in finished form and C is the weighted average sale price of the Combination Product.

In the event that the weighted average sale price of both the Covered Product and the other product(s) in the Combination Product cannot be determined, the Net Sales of the Covered Product shall be [***].

The weighted average sale price for a Covered Product, other product(s), or Combination Product shall be calculated [***] each Calendar Year [***] of such Calendar Year and such price shall be used during all applicable royalty reporting periods for the [***] following Calendar Year. When determining the weighted average sale price of a Covered Product, other product(s), or Combination Product, the weighted average sale price shall be calculated by dividing the sales dollars (translated into U.S. dollars) by the units of active ingredient sold during the twelve (12) months (or the number of months sold in a partial calendar year) of the preceding Calendar Year for the respective Covered Product, other product(s), or Combination Product. In the initial Calendar Year, a forecasted weighted average sale price will be used for the Covered Product, other product(s), or Combination Product. Any over or under payment due to a difference between forecasted and actual weighted average sale prices will be paid or credited in the first royalty payment of the following Calendar Year.

1.55 "**Party**" or "**Parties**" shall have the meaning set forth in the introduction to this Agreement.

1.56 "**Patent(s)**" means (a) all patents and patent applications in any country or supranational jurisdiction and (b) any provisionals, substitutions, divisions, continuations, continuations in part, reissues, renewals, registrations, confirmations, reexaminations, extensions, supplementary protection certificates and the like, of any such patents or patent applications.

1.57 "**Patent Prosecution**" means the responsibility and authority for (a) preparing, filing and prosecuting applications (of all types) for any Patent, (b) paying, filing and maintenance fees relating to any Patent, (c) managing any interference, opposition, re-issue, reexamination, revocation, nullification, or cancellation proceeding relating to the foregoing, (d) deciding to abandon Patent(s), (e) listing in regulatory publications (as applicable), (f) patent term extension, and (g) settling any interference, opposition, revocation, nullification or cancellation proceeding.

1.58 "**Permitted Sublicensee**" shall have the meaning set forth in Article 3.4.

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

1.59 "**Phase II Clinical Study**" means a preliminary efficacy and safety or dose-ranging human clinical trial of a Covered Product in the target patient population, as defined in 21 C.F.R. § 312.2l(b), as may be amended from time to time, or any analogous clinical trial described or defined in Applicable Laws and guidelines in the Territory.

1.60 "**Phase III Clinical Study**" means a human clinical trial designed as a pivotal study to confirm, with statistical significance, the efficacy and safety of a Covered Product with respect to a particular indication, which trial is performed for purposes of filing an NDA or similar application to obtain Regulatory Approval for such Covered Product in any country or regulatory jurisdiction, as defined in 21 C.F.R. § 312.21(c), as may be amended from time to time, or any analogous clinical trial described or defined in Applicable Laws and guidelines in the Territory.

1.61 "**Receiving Party**" shall have the meaning set forth in Article 9.l(a).

1.62 "**Regulatory Approval**" means, with respect to the Covered Product in a country in the Territory, all approvals from the necessary Governmental Authority or Regulatory Authority to manufacture, import, market and sell such Covered Product in such country in the Territory (including but not limited to, as applicable, a Manufacturing Authorization and all applicable pricing and reimbursement approvals required to market and sell such Covered Product in such country in the Territory).

1.63 "**Regulatory Authority**" means the applicable medical or drug body or any applicable Governmental Authority involved in granting approvals for the conduct of clinical trials or the importing, manufacturing, marketing, selling, reimbursement or pricing of a Covered Product in a country in the Territory.

1.64 "**Regulatory Filing**" means any filing, application, or submission with any Regulatory Authority, including authorizations, approvals or clearances arising from the foregoing, including Regulatory Approvals, and all correspondence or communication with or from the relevant Regulatory Authority, as well as minutes of any material meetings, telephone conferences or discussions with the relevant Regulatory Authority, in each case, with respect to a Covered Product.

1.65 "**Related Party**" means, with respect to a Party, its Affiliates and Sublicensees.

1.66 "**Royalty Term**" shall have the meaning set forth in Article 7.l(b)

1.67 "**Rules**" shall have the meaning set forth in Article 14.2(a).

1.68 "**Subject Launch Market**" means Mainland China, Hong Kong, Macau, or Taiwan, each of which, for purposes of this Agreement, will be considered a separate "country".

1.69 "**Sublicensee**" means a Third Party that is granted a sublicense under the licenses granted to a Party in accordance with this Agreement.

1.70 "**Technology Transfer Plan**" shall have the meaning set forth in Article 3.6(a).

1.71 "**Term**" shall have the meaning set forth in Article 13.1.

1.72 "**Terns**" shall have the meaning set forth in the introduction of this Agreement.

1.73 "**Terns Developed IP**" shall have the meaning set forth in Article 12. l(b).

1.74 "**Terns Indemnitee(s)**" shall have the meaning set forth in Article 11.2.

1.75 "**Terns Know-How**" means any and all Know-How, to the extent Controlled by Terns as of the Effective Date or during the Term, that (a) used or generated by Terns in connection with Terns' Development of the Covered Product or Covered Compound, and (b) is necessary or useful in connection with the Development, Manufacture, Commercialization or other use of the Covered Compound or Covered Product in the Field in the Territory. Terns Know-How excludes any Terns Developed IP.

1.76 "**Terns Patent**" means Patents in the Territory Controlled by Terns on the Effective Date or during the Term that contain one or more claims to the Covered Product. Terns Patents excludes any Terns Developed IP.

1.77 "**Terns Prosecuted Patents**" shall have the meaning set forth in Article 12.2.

1.78 "**Territory**" means all countries of the world.

1.79 "**Third Party**" means an entity other than (a) Terns and its Affiliates and (b) Lilly and its Affiliates.

1.80 "**U.S. Dollars**" or "**US$**" means United States dollars, the lawful currency of the United States.

1.81 "**Valid Claim**" means a claim of an issued and unexpired Patent included within the Lilly Patents with regard to the Covered Product in the Territory which has not been permanently revoked or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, which decision is not appealable or is not appealed within the time allowed for appeal, and has not been abandoned, disclaimed or admitted to be invalid or unenforceable through reissue, disclaimer or otherwise in such country.

1.82 "**Wind-Down**" shall have the meaning set forth in Article 13.6(b)(ii).

1.83 "**Withholding Party**" shall have the meaning set forth in Article 7.7.

1.84 **Interpretative Provision**. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles and Attachments are to Articles, Sections and Attachments of this Agreement unless otherwise specified. All attachments annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized term used in any attachment but not otherwise defined therein shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation", whether or not they are in fact followed by those words or words of like import.

2. SCOPE AND COMMUNICATION.

2.1 **General Scope of Covered Product**. Pursuant to and subject to the terms of this Agreement, Terns shall, in good faith and using commercially reasonable efforts, Develop, Manufacture, apply for Regulatory Approval of, and Commercialize the Covered Product in the Field in each country within the Major Markets within the Territory and be responsible for all such activities.

2.2 **Communication**

(a) Until the First Commercial Sale of a Covered Product, Terns shall [***], unless mutually agreed otherwise, disclose to Lilly and/or discuss information outlined below. Such disclosure shall be by electronic means unless otherwise mutually agreed upon by the Parties and shall:

(i) share information regarding the Development of the Covered Product;

(ii) disclose any Third Parties used or to be involved in Development or Manufacturing (CRO, CMO, etc.);

(iii) summarize Terns' overall regulatory strategy established for the Covered Product;

(iv) summarize Terns' overall Manufacturing strategy;

(v) summarize information regarding the Commercialization strategy for the Covered Product; and

(vi) provide such other information as reasonably requested by Lilly.

(b) Terns shall consider in good faith any comments provided by Lilly in relation to the Development, Manufacturing, or Commercialization of the Covered Product in the Territory but Terns shall make the final decision.

3. COVERED PRODUCT DEVELOPMENT

3.1 **Development Overview**.

(a) Responsibility. Terns shall have sole and full responsibility, authority, and control for and over all aspects of the Development of the Covered Product in the Territory at its cost, including all scientific and business decisions relating thereto.

(b) GCP and GLP Compliance. The Development of the Covered Product shall be conducted by Terns pursuant to good clinical practices ("**GCP**") and good laboratory practices ("**GLP**"). GLP means all applicable Good Laboratory Practice standards, including, as applicable, as set forth in the then current good laboratory practice standards promulgated or endorsed by the U.S. Food and Drug Administration as defined in 21 C.F.R. Part 58, or the equivalent Applicable Laws in the Territory, each as may be amended and applicable from time to time. GCP means all

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applicable Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of clinical trials, including, as applicable (a) as set forth in the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use ("**ICH**") Harmonized Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practice for trials on medicinal products in the Territory, (b) the Declaration of Helsinki (2004) as last amended at the 52nd World Medical Association in October 2000 and any further amendments or clarifications thereto, (c) U.S. Code of Federal Regulations Title 21, Parts 50 (Protection of Human Subjects), 56 (Institutional Review Boards) and 312 (Investigational New Drug Application), as may be amended from time to time, and (d) the equivalent Applicable Laws in the Territory, each as may be amended and applicable from time to time and in each case, that provide for, among other things, assurance that the clinical data and reported results are credible and accurate and protect the rights, integrity, and confidentiality of trial subjects.

3.2 **Conduct of Development**.

(a) Development Diligence. Terns shall use commercially reasonable efforts to Develop the Covered Product in the Field in the Major Markets, including (i) carrying out commercially reasonable efforts to achieve Regulatory Approval of at least one Covered Product in each of the Major Markets in the Territory and (ii) using commercially reasonable efforts to conduct and fund all activities to fulfill its Development plans with respect to such Covered Product in each of the Major Markets in the Territory (including pre-clinical, clinical, and CMC activities), or until Terns promptly provides Lilly with written notice of its determination (and in no event later than [***] after such determination), in good faith, that Terns considers Terns cannot achieve Regulatory Approval in a commercially reasonable fashion for such Covered Product. Upon Lilly's receipt of such notice, Terns shall have been deemed to have provided Lilly with Tern's notice of unilateral termination under Article 13.2 of this Agreement with respect to the country(ies) and Covered Product(s) at issue and, therefore, shall be subject to the provision applicable of to such a unilateral termination under this Agreement.

(b) Development Data. Terns will own all data generated in connection with its Development activities in relation to the Covered Product. During Development and up until the First Commercial Sale has occurred in all the Major Markets, Terns shall report to Lilly [***] with respect to data obtained from clinical studies during the Development of the Covered Product pursuant to Article 2.2.

(c) Regulatory Approvals. Terns or its designee shall own any and all Regulatory Approvals for the Covered Products.

3.3 **Further Development**. Terns shall not be under any obligation to pursue further Development of the Covered Product if it in good faith determines, in its sole discretion, not to continue Development of a Covered Product, on a country-by-country basis, for reasons that Terns can reasonably demonstrate is due to an ethical conflict, safety issue or compliance with Applicable Law provided that Terns promptly (and in no event, later than [***] after such determination) notifies Lilly of the same in writing. Upon Lilly's receipt of such notice, Terns shall have been deemed to have provided Lilly with Terns' written notice of unilateral termination under Article 13.2 of this Agreement with respect to the country(ies) and Covered Product(s) at issue and, therefore, shall be subject to the provision applicable to such a unilateral termination under this Agreement.

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3.4 **Rights to Engage Sublicensees, Subcontractors and Affiliates**. Terns shall have the right to sublicense its rights hereunder to or engage (a) its Affiliates or (b) permitted Third Party sublicensees or contractors with Lilly's prior written consent (not to be unreasonably withheld, delayed, or conditioned) (such Affiliates and such Third Parties, collectively, the "Permitted Sublicensees") to perform any portion of its Development, Manufacture or Commercialization obligations hereunder; except that no Permitted Sublicensee can be debarred or disqualified by a Regulatory Authority. Terns shall be responsible for ensuring that, prior to engaging any Permitted Sublicensee that such Permitted Sublicensee is subject to written agreements containing terms and conditions: (i) consistent with the relevant terms and conditions of this Agreement protecting the rights of the Parties under this Agreement including imposing obligations of confidentiality on each such Permitted Sublicensee; (ii) that vests ownership of any and all inventions developed by such Permitted Sublicensee to the extent relating to the Covered Product in the course of performing such subcontracted work in the contracting Party; (iii) that does not under any circumstance impose any payment obligations or liability on Lilly, and (iv) that is otherwise consistent with the terms of this Agreement. Terns shall advise Lilly pursuant to Article 2.2 of any engagement of a Permitted Sublicensee and shall provide Lilly with a copy of the sublicensee agreement with such Permitted Sublicensee. Terns shall remain directly responsible for all of its obligations under this Agreement that have been delegated, subcontracted or sublicensed to any Permitted Sublicensee.

3.5 **Compliance Audits**. [***] Lilly is entitled to conduct audits to ensure compliance of Terns with applicable GMPs, GCPs and GLPs that require evaluation, including on-site evaluations to the extent permitting such evaluations is in control of Terns.

3.6 **Technology Transfer**.

(a) Within [***] of the Effective Date, the Parties will coordinate and agree to a technology transfer plan for Lilly to provide and transfer to Terns the Lilly Know- How (which will include Materials) as set forth on Exhibit B and was not previously provided to Terns (the "**Technology Transfer Plan**"), which may be updated or amended by the mutual agreement by the Parties from time to time as needed. For purposes of clarity, Lilly will transfer only the Lilly Know-How referenced in Exhibit B to Terns in accordance with the Technology Transfer Plan, and Terns will cooperate to facilitate the receipt of such transfer of Lilly Know- How.

(b) Notwithstanding anything to the contrary in this Agreement, Lilly will have no obligation under this Article 3.6 to transfer any Lilly Know-How or Materials other than the items specifically described in the attached Exhibit B. While Terns may use the Materials to Develop the Products in accordance with the terms of this Agreement, Terns will not use the Materials listed in Exhibit B with humans for any purpose including for testing in or the treatment of human subjects.

(c) Terns will reimburse Lilly's [***] at the FTE Rate for FTEs engaged to provide assistance to Terns for the technology transfer pursuant to Article 3.6(a) and the transfer of Materials pursuant to Article 3.6(a), except that the first [***] of FTE assistance will be provided at Lilly's cost.

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4. COMMERCIALIZATION AND COMPLIANCE.

4.1 **Commercialization Overview**. Terns shall have sole and full responsibility, authority, and control for and over all aspects of the Commercialization of the Covered Product in the Territory at its cost, including all scientific and business decisions relating thereto. Terns shall use commercially reasonable efforts to Commercialize the Covered Product in the Field in the Major Markets, including (i) carrying out commercially reasonable efforts to achieve a First Commercial Sale of at least one Covered Product in each of the Major Markets in the Territory and (ii) using commercial reasonable efforts to conduct and fund all activities to fulfill its Commercialization plans with respect to such Covered Product in each of the Major Markets in the Territory.

4.2 **Covered Product Trademark, Labeling; Promotional Materials**.

(a) Terns shall own and be responsible for obtaining and maintaining trademarks for the Covered Product, at its cost. Terns shall be responsible for designing, approving and supplying the Covered Product labeling and promotional materials for the Covered Product. Terns shall be responsible as to the manner in which such Covered Product will be presented and described to the medical community in any promotional materials and the placement of the names and logos of the Parties therein, in each case as permitted by Applicable Law and consistent with the labeling for the Covered Product as approved by the applicable Regulatory Authority.

(b) Packaging for the Covered Product will have the approved name for the Covered Product and Terns' trademark and company logo.

4.3 **Compliance with Applicable Laws**. Each of the Parties shall, and shall cause their respective Affiliates to, conduct all activities under this Agreement in such a manner as to comply in all material respects with all Applicable Laws.

4.4 **Compliance with Party Specific Regulations**. The Parties agree to cooperate with each other as may reasonably be required to ensure that each is able to fully meet its obligations with respect to the Party Specific Regulations applicable to it. Neither Party shall be obligated to pursue any course of conduct that would result in such Party being in material breach of any Party Specific Regulation applicable to it. All Party Specific Regulations are binding only in accordance with their terms and only upon the Party to which they relate.

4.5 **Compliance with Internal Compliance Codes**. All Internal Compliance Codes shall apply only to the Party to which they relate. The Parties agree to cooperate with each other to insure that each Party is able to comply with the substance of its respective Internal Compliance Codes and, to the extent practicable, to operate in a manner consist with its usual Compliance related processes.

(a) "**Compliance**" shall mean the adherence by the Parties in all material respects to all Applicable Laws and Party Specific Regulations, in each case with respect to the activities to be conducted under this Agreement.

(b) "**Internal Compliance Codes**" shall mean a Party's internal policies and procedures intended to ensure that a Party complies with Applicable Laws, Party Specific Regulations, and such Party's internal ethical, medical and similar standards.

(c) "**Party Specific Regulations**" shall mean all judgments, decrees, orders or similar decisions issued by any Governmental Authority specific to a Party, and all consent decrees, corporate integrity agreements, or other agreements or undertakings of any kind by a Party with any Governmental Authority, in each case as the same may be in effect from time to time and applicable to a Party's activities contemplated by this Agreement.

5. MANUFACTURE AND SUPPLY.

5.1 **Manufacture and Supply**. Terns shall use its commercially reasonable efforts to Manufacture, or have Manufactured per applicable cGMPs, the Covered Product, sufficient to meet the Development and Commercialization requirements of the Covered Product in the Territory.

6. REGULATORY.

6.1 **Terns' Responsibilities**. Terns will be responsible for all regulatory activities, at its cost, leading up to and including the obtaining of the Regulatory Approvals for the Covered Product from the Governmental Authority or Regulatory Authority on a country-by-country basis. Terns or its designee shall make, hold and own all Regulatory Filings and Regulatory Approvals. Terns shall only be required to apply for Regulatory Approval in those countries that in its sole discretion are commercially viable.

6.2 **Regulatory Obligations and Cost**. Terns shall be responsible for the regulatory strategy, including strategy for filings and label content. Terns shall be solely responsible for all regulatory activities in connection with seeking Regulatory Approvals in the Territory, including communicating and preparing and filing all reports with the Regulatory Authorities. However, upon Terns reasonable request, Lilly agrees to reasonably cooperate with Terns, at [***] expense (which shall include [***]), if requested, in providing consultation with respect to the preparation and filing of all such reports, provided that under no circumstance shall Lilly's cooperation described above exceed [***]. All governmental fees associated with obtaining and maintaining any and all Regulatory Approvals shall be paid by Terns.

7. PAYMENTS AND MILESTONES.

7.1 **Upfront Payments**. In consideration for the exclusive license rights granted by Lilly to Terns hereunder, Terns will pay Lilly a nonrefundable upfront payment of four million U.S. dollars ($4,000,000) within [***] of the Effective Date. The Parties agree that the upfront payment is not subject to tax withholding under the terms of this Agreement. However, if based on Tern's interpretations of law, rules or regulations (or otherwise), this upfront payment would be subject to withholding tax, Terns shall increase the upfront payment to Lilly as necessary, such that the amount received by Lilly after withholding is equal to the amount Lilly would have received if there were no such withholding reduction.

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7.2 **Covered Product Royalties to Lilly**.

(a) SSAO Tiered Earned Royalties. Terns shall pay to Lilly royalties based on the Calendar Year, Net Sales of each Covered Product in the Territory in the amounts set forth below (all amounts are in U.S. Dollars). Royalties owed to Lilly will be calculated for each Covered Product separately subject to the methodology for calculating Net Sales of a Covered Product when the Covered Product is sold as part of or as a Combination Product as described in Article 1.54.

Calendar Year, Covered Product Net Sales in Greater China	***Royalty Rate***	***Calendar Year, Covered Product Net Sales in Ex-Greater China***	***Royalty Rate***
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]

(b) Royalty Term. On a country-by-country and Covered Product-by-Covered Product basis, the above earned royalties shall be payable commencing on [***] and continuing until the last to occur of: (i) the expiration of the life of the last-to-expire Terns Prosecuted Patents having a [***] in such country in the Territory; (ii) the expiration of the Data Exclusivity Period in such country in the Territory; and (iii) the end of the period that is [***] from the First Commercial Sale of such Covered Product in such country in the Territory (the longer of (i), (ii), and (iii), the "**Royalty Term**").

(c) Reports; Payment of Royalty and Milestones. During the Term, following the [***], Terns shall furnish to Lilly a quarterly written report for the Calendar Quarter showing the Net Sales of each Covered Product sold that is subject to royalty payments, by Terns and its Related Parties in the Territory during the reporting period and the royalties payable under this Agreement. Reports shall be due on [***] following the close of each Calendar Quarter. Royalties shown to have accrued by each royalty report shall be due and payable on the date such royalty report is due. Terns shall keep complete and accurate records in sufficient detail to enable the royalties payable hereunder to be determined. Terns shall provide Lilly with a non-binding sales forecast for the [***]. Terns will mail such reports to the attention of: Eli Lilly and Company, Lilly Royalty Administration in Finance, Drop Code 1064, Lilly Corporate Center, Indianapolis, Indiana, 46285.

7.3 **Covered Product Development Milestones to Lilly.**

(a) Covered Product Development Milestones. Terns shall pay Lilly the following Development milestones based upon events described in the below table for the first Covered Product Developed by Terns under this Agreement to achieve each such milestone. Further, the start of a [***] Clinical Study is the first patient visit for such clinical study and each clinical study milestone will only be paid once upon the first time each event is achieved by any

Covered Product even if any of the phases are later restarted or entered by a replacement or subsequent Covered Product. Also, in the event Terns terminates Development of a Covered Product (i.e., a 1st generation Covered Product) and Develops a replacement Covered Product (i.e., a 2nd generation Covered Product), any milestones paid for the Development of the terminated Covered Product shall be credited to the replacement Covered Product, such that Terns shall not be required to pay any milestones for the replacement Covered Product that have already been paid for the terminated Covered Product. All amounts are shown in U.S. Dollars. The maximum amount of Development milestones Terns may be obligated to pay Lilly under this Article 7.3(a) is [***], and in no event shall Terns be obligated to pay Development milestones under this Article 7.3(a) in excess thereof.

SSAO Development Milestones for the First Covered Product	
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(b) Second Indication Milestones. Terns shall pay Lilly the following Development milestones based upon events described in the below table for the second indication (but not for any further indications) of a Covered Product Developed by Terns under this Agreement to achieve each such milestone. Also, in the event Terns terminates Development of a Covered Product (i.e., a 1st generation Covered Product) and Develops a replacement Covered Product (i.e., a 2nd generation Covered Product), any milestones paid for the Development of the terminated Covered Product shall be credited to the replacement Covered Product, such that Terns shall not be required to pay any milestones for the replacement Covered Product that have already been paid for the terminated Covered Product. All amounts are shown in U.S. Dollars. The maximum amount of Development milestones Terns may be obligated to pay Lilly under this Article 7.3(b) for any one Covered Product and its replacement Covered Product (if any) is US$30,000,000, and in no event shall Terns be obligated to pay Development milestones under this Article 7.3(b) for any one Covered Product and its replacement Covered Product (if any) in excess thereof.

SSAO Development Milestones for the Second Indication of a Covered Product	
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(c) Payment. Terns will pay Lilly the above milestones by the later of [***] after the documented event has been achieved.

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7.4 **Third Party Obligations and Agreement Payments and Generic Covered Products**. The following adjustments shall be made, on a country-by-country and Covered Product-by-Covered Product basis, to the royalties payable pursuant to Article 7.2:

(a) Third Party Patents. If it is [***] for Terns to license one or more Patents from one or more Third Parties in order to Develop, Manufacture, Commercialize or use any Covered Product without infringing on a Third Party Patent, whether directly or through any Tern's Affiliate or Sublicensee, then Terns may, in its sole discretion, negotiate and obtain a license under such Patents (each such Third Party license referred to herein as an "**Additional Third Party License**"). Prior to executing any Additional Third Party License, Terns shall discuss and consult with Lilly regarding such Additional Third Party License; provided that Terns retains full discretion over the decision to enter into, and the final terms of, any such Additional Third Party Licenses. Any [***] payable to Lilly under this Agreement [***] shall be reduced by [***] of the amounts payable to Third Parties pursuant to any Additional Third Party Licenses, such reduction to continue until all such amounts have been expended, provided that in no event shall the [***] payable to Lilly [***] be less than [***].

(b) No Adjustment for Lilly Third Party Agreements. Lilly shall be solely responsible for (i) all obligations (including any royalty or other obligations that relate to the Lilly Technology) under its agreements with Third Parties that are in effect as of the Effective Date and (ii) all payments to inventors (other than inventors that are employees or consultants of Terns) of Lilly Technology, including inventorship compensation payments under Applicable Law.

(c) No Adjustment for Existing Terns Third Party Agreements. Terns shall be solely responsible for all obligations (including royalty obligations) that relate to Covered Products under its agreements with Third Parties that are in effect on or prior to the Effective Date.

(d) Failure to Pay. If Lilly should fail to pay any undisputed amounts owed under its agreements with Third Parties under Article 7.4(b), Terns may at its sole option decide to pay any such amount and deduct such amount from any payments or royalties owed to Lilly hereunder without restriction.

(e) Generic Covered Products — Royalty Reduction. In the event it is reasonably determined that the total volume sales of all Generic Covered Products with respect to such Covered Product in such country in the Territory in a Calendar Quarter constitutes (i) [***] of all such Generic Covered Products and such Covered Product in such country in the Territory in such Calendar Quarter, then, during the Royalty Term, Lilly's royalty rates as set forth in Article 7.2 of this Agreement shall be reduced by [***] commencing on the first calendar quarter that follows the date in which such determination occurs or (ii) [***] of all such Generic Covered Products and such Covered Product in such country in the Territory in such Calendar Quarter, then, during the Royalty Term, Lilly's royalty rates as set forth in Article 7.2 of this Agreement shall be reduced by [***] commencing on the first calendar quarter that follows the date in which such determination occurs.

(f) Limit on Royalty Reductions. Notwithstanding anything to the contrary in this Article in no event shall the royalties owed under Article 7.2 with respect to a Covered Product in a country be reduced by operation of any subsection of this Article 7.4 by more than an aggregate of [***] of what would otherwise be owed under Article 7.2 with respect to [***].

7.5 **Audits**.

(a) Terns will keep and maintain (and to the extent applicable, will cause its Affiliates, and their respective Sublicensees, distributors, assignees and transferees to keep and maintain) proper and complete records and books of account in such form and detail as is necessary for the determination of the amounts payable by Terns (on behalf of itself and its Affiliates and their respective Sublicensees, distributors, assignees and transferees) to Lilly under this Agreement and for the purposes of this Agreement.

(b) Within the Term of this Agreement, Lilly shall not more than [***], have the right to have a reputable globally recognized independent certified public accountant firm hired by Lilly to inspect Terns' records for [***] for the purpose of determining the accuracy of royalty and milestone payments. No period will be audited more than once. Lilly shall submit an audit plan, including audit scope, to Terns for Terns' approval, which shall not be unreasonably withheld, prior to audit implementation. The independent certified public accountants shall keep confidential any information obtained during such inspection and shall report to Lilly and Terns only the amounts of Net Sales and royalties and milestones due and payable. If determined that additional royalties or milestones are owed, or that royalties or milestones were overpaid, during such period, Terns will pay Lilly the additional royalties or milestones, or Lilly will pay Terns the overpaid royalties or milestones within [***] of the date the independent certified public accountants written report is received by the paying party. The fees charged by such accounting firm will be paid by Lilly unless any additional royalties or milestones owed exceed [***] of the royalties or milestones paid for the period subject to the audit, in which case Terns will pay the reasonable fees of the accounting firm.

(c) Terns shall include in each sublicense granted by it pursuant to this Agreement a provision requiring the Sublicensee to make reports to Terns, to keep and maintain records of sales made pursuant to such sublicense [***].

(d) Lilly shall treat all financial information subject to review in accordance with Article 9 of this Agreement, and shall cause its accounting firm to enter into an acceptable confidentiality agreement with them [***] obligating it to retain all such information in confidence pursuant to terms consistent with the terms in Article 9 of this Agreement.

7.6 **Currency**. Except as otherwise provided in this Agreement, all payments to be made by one Party to the other under this Agreement shall be made in U.S. Dollars by bank wire transfer from such Party's bank account in immediately available funds to the receiving Party's bank account designated in writing by the Party receiving the payment. Sales, costs and expenses, and payments recorded in any foreign currency shall be converted into U.S. Dollars in a manner consistent with Terns' and Lilly's customary and usual conversion procedures used to prepare such Party's audited financial statements, provided always that such practices are consistently applied and use a widely accepted source of published exchange rates. In each country where the local currency is blocked and cannot be removed from the country, payments under this Agreement arising from activities in that country for which Licensee, an Affiliate thereof, or any Sublicensee does not receive payment in U.S. currency, freely useable outside of such country, shall, [***].

7.7 **Interest**. Each Party shall pay interest on any amounts overdue under this Agreement at a per annum rate of [***] the average of the prime rate as published in the Wall

Street Journal during the thirty (30) days immediately preceding the due date of such overdue payment. Royalties and other payments required to be paid pursuant to this Agreement shall, if overdue, bear interest from the day the original payment was due until the day that the payment was received by the payee. The payment of such interest shall not foreclose a Party from exercising any other rights it may have because any payment is overdue.

7.7 Tax Withholding. If any payments required to be made by a Party under this Agreement are or become subject to withholding taxes (including any value added tax) under Applicable Laws of any state, federal, provincial or foreign government, such Party shall be authorized to withhold such taxes as are required under Applicable Law, pay such taxes to the appropriate Governmental Authority, deduct them from such payments, and remit the balance due to the other Party net of such taxes. The Party paying the taxes to the Governmental Authority shall secure and deliver to the other Party an official receipt for taxes paid. In the event that the governing tax authority retroactively determines that a payment pursuant to this Agreement should have been subject to withholding (or to additional withholding) for taxes, and a Party (the "**Withholding Party**") remits such taxes to the tax authority, the Withholding Party will invoice the other Party for such amount, and the other Party will pay such amount within [***] of the receipt of such invoice. Notwithstanding the foregoing, if Terns sublicenses or assigns its payment obligations to an Affiliate or to a third-party, and such sublicense or assignment results in a greater amount of withholding tax which may be subtracted from payments to Lilly than if Terns had fulfilled its payment obligations to Lilly directly, such Affiliate or third-party shall increase the payment to Lilly as necessary such that the amount received by Lilly after such required income tax withholding is equal to the amount Lilly would have received if Terns had fulfilled such payment obligations to Lilly directly. For clarity, Terns (including its affiliates, assignees, and sub-licensees) is solely responsible for any income tax due in connection with its income under this Agreement.

7.8 **Tax Administration**. The Parties agree to fully cooperate with each other to enable each Party to more accurately determine its own tax liability and to minimize such liability to the extent legally permissible and administratively reasonable. Each Party shall provide and make available to the other Party any exemption certificates, resale certificates, or other required tax forms reasonably requested by the other Party to support the provisions of this Agreement.

7.9 **Records**. Terns shall maintain appropriate records in either tangible or electronic form of (a) all significant Development, Manufacturing and Commercialization (each as applicable) events and activities conducted by it or on its behalf related to the Covered Product; and (b) all significant information generated by it or on its behalf in connection with Development of the Covered Product under this Agreement, in each case in accordance with Terns' usual documentation and cGMP record retention practices. Such records shall be in sufficient detail to properly reflect, in good scientific manner, all significant work done and results of studies and trials undertaken and further shall be at a level of detail appropriate for patent and regulatory purposes. If reasonably necessary for a Party to perform its work under this Agreement or to exercise its rights under this Agreement, such Party may request that, and the other Party shall provide within a reasonable timeframe, such information and data regarding its activities hereunder as is reasonably available and reasonably related its activities under this Agreement; provided that neither Party shall be required to generate additional data or prepare additional reports to comply with the foregoing obligation. All such reports, information and data provided shall be subject to the provisions of Article 9.

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7.10 **Lilly's Right of First Negotiation**. Terns, on behalf of itself and its Affiliates, hereby agrees that it shall not enter into a term sheet or commence agreement negotiations with a Third Party partner to Commercialize a Covered Product in any country in the Territory as Terns' sublicensee or assignee (the "**Covered Product Opportunity**") without first providing written notice thereof and offering the exclusive right and option of first negotiation with respect to such Covered Product Opportunity (the **"Lilly ROFN Option"**). For clarity, the foregoing shall not prevent Terns from freely engaging in preliminary discussions with any Third Party about such rights that customarily take place prior to term sheet or agreement negotiations, nor require Terns, as a result of engaging such preliminary discussions, to provide the above written notice triggering Lilly ROFN Option. Lilly may exercises such Lilly ROFN Option by providing Terns with written notice of the same within [***] of its receipt of Terns' written notice described above. Upon Lilly's timely exercises of the Lilly ROFN Option in accordance with the preceding sentence, then the Parties shall negotiate in good faith and on an exclusive basis for up to an additional [***] from such exercise (the **"Negotiation Period"**) regarding the terms pursuant to which Lilly would obtain the rights in such Covered Product Opportunity. If Lilly fails to deliver notice of exercise of the Lilly ROFN Option to Terns prior to expiration of the [***] period described above, then, effective upon such expiration, Lilly shall be deemed to have irrevocably waived the Lilly ROFN Option with respect to solely the Covered Product Opportunity at issue. If Lilly is deemed to have irrevocably waived the Lilly ROFN Option pursuant to the preceding sentence, or if Lilly delivers written notice of exercise of the Lilly ROFN Option with in the notice period prescribed above but the Parties fail to enter into a definitive agreement regarding the Covered Product Opportunity at issue (a **"Definitive Agreement"**) prior to expiration of the Negotiation Period, then, in either case, effective upon such expiration (of the exercise notice period or the Negotiation Period, as applicable), (a) the Lilly ROFN Option shall terminate and be of no further force or effect with respect to the Covered Product Opportunity at issue and (b) Terns shall be free to terminate negotiations with Lilly and to offer to grant, license, sell or otherwise convey, and to grant, license, sell or otherwise convey, to Third Parties solely the Covered Product Opportunity at issue. For clarity, neither Party shall have any obligation to enter into a Definitive Agreement.

8. LICENSES; EXCLUSIVITY.

8.1 **Exclusive License to Covered Product and Right to Sublicense**. Subject to the terms and conditions of this Agreement, Lilly hereby grants to Terns, during the Term, an exclusive license (even as to Lilly), under the Lilly Technology to make, have made, use, offer for sale, sell, import, and have imported, including all rights to Develop, Manufacture, Commercialize, Covered Products in the Field in the Territory, including the right to grant sublicenses at any tier (subject to Article 3.4).

8.2 **China Commercialization Option**. On a country-by-country and Covered Product-by-Covered Product basis, following the Regulatory Approval of a Covered Product in the Subject Launch Market and if Terns (or Terns' Sublicensee) decides in good faith to Commercialize such Covered Product in the Subject Launch Market, Terns will provide written notice to Lilly of such decision, and upon Lilly's written request, Lilly shall have a co-promotion option for the Subject Launch Market, exercisable separately for each such Covered Product and

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each such country in the Subject Launch Market, to assume responsibility for a certain percentage of the detailing for such Covered Product in the Subject Launch Market to be further negotiated and agreed by the Parties. Each such option can be exercised by written notification to Terns within at [***] of the date of Terns' notice of its decision. Upon exercise of such option for such Covered Product, the Parties shall negotiate in good faith on terms for such co-promotion for such Covered Product for [***] days of Lilly's notice exercising such option (the "**Co- Promotion Option Period**"); provided that, if the Parties are not able to reach an agreement with respect to such co-promotion for such Covered Product within the aforementioned [***] period, Terns will have no further obligation to Lilly with respect to the co-promotion of such Covered Product. Before and during the Co-Promotion Option Period, Terns will not enter into definitive agreements with a Third Party providing such Third Party rights to co-promote such Covered Product.

8.3 **No Implied Licenses**. Except as explicitly set forth in this Agreement, neither Party grants any license, express or implied, under its intellectual property rights to the other Party.

9. CONFIDENTIALITY; PUBLICATION.

9.1 **Nondisclosure Obligation**.

(a) For the Term of this Agreement and [***] thereafter, except in the case of Confidential Information of a Party that has been identified in writing by such Party as a trade secret, in which case, the obligation contained in this Article 9.1 with respect to such Confidential Information shall be perpetual, the Party receiving the Confidential Information of the other Party (such receiving Party, the "**Receiving Party**") shall keep confidential and not publish, make available or otherwise disclose any Confidential Information to any Third Party, without the express prior written consent of the Party that disclosed such Confidential Information (the "**Disclosing Party**"); provided however, the Receiving Party may disclose the Confidential Information to those of its Affiliates, officers, directors, employees, agents, consultants and/or independent contractors (including Sublicensees) of such Receiving Party who need to know the Confidential Information in connection with this Agreement and are bound by confidentiality obligations with respect to such Confidential Information. The Receiving Party shall exercise at a minimum the same degree of care it would exercise to protect its own confidential information (and in no event less than a reasonable standard of care) to keep confidential the Confidential Information. The Receiving Party shall use the Confidential Information solely in connection with the purposes of this Agreement.

(b) It shall not be considered a breach of this Agreement if the Receiving Party discloses Confidential Information in order to comply with a lawfully issued court or governmental order or with a requirement of Applicable Law or the rules of any internationally recognized stock exchange; provided that: (i) the Receiving Party gives prompt written notice of such disclosure requirement to the Disclosing Party and cooperates with Disclosing Party's efforts to oppose such disclosure or obtain a protective order for such Confidential Information, and (ii) if such disclosure requirement is not quashed or a protective order is not obtained, the Receiving Party shall only disclose those portions of the Confidential Information that it is legally required to disclose and shall make a reasonable effort to obtain confidential treatment for the disclosed Confidential Information. Notwithstanding the foregoing provisions of Article 9.l(a), either Party may disclose Confidential Information of the other Party if such Party is required to make such disclosure by

Applicable Laws, in response to rules or guidance of the United States Internal Revenue Service or other taxing authority, or in other legal processes, including by the rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or other securities trading institution and shall disclose only such Confidential Information of such other Party as is required to be disclosed.

9.2 **Publicity; Use of Names**.

(a) Confidential Terms. Each of the Parties agrees not to disclose to any Third Party the terms and conditions of this Agreement without the prior approval of the other Party, except to advisors (including consultants, financial advisors, attorneys and accountants), potential and existing investors and acquirers on a need to know basis, in each case under circumstances that reasonably protect the confidentiality thereof, or to the extent necessary to comply with the terms of agreements with Third Parties, or to the extent required by Applicable Laws, including securities laws. Notwithstanding the foregoing, the Parties must agree upon the initial press release(s) to announce the execution of this Agreement; thereafter, Lilly and Terns may each disclose to Third Parties the information contained in such press release(s) without the need for further approval by the other. Furthermore, for purposes of clarity, notwithstanding anything to the contrary in this Agreement, either Party may disclose Confidential Information of the other Party if such Party is required to make such disclosure by Applicable Laws, including, in response to rules or guidance of the United States Internal Revenue Service or other taxing authority, or in other legal processes, including by the rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or other securities trading institution and shall disclose only such Confidential Information of such other Party as is required to be disclosed.

10. REPRESENTATIONS, WARRANTIES, AND COVENANTS.

10.1 **Representations, Warranties, and Covenants of Lilly.** Lilly represents, warrants, and covenants to Terns that as of the Effective Date:

(a) it has the full right, power and authority to enter into this Agreement and to grant the license to the Covered Product under Article 8, and the fulfillment of its obligations and performance of its activities hereunder do not materially conflict with, violate, or breach or constitute a default under any material contractual obligation or court or administrative order by which Lilly is bound;

(b) [***], there are no legal claims, judgments or settlements against or owed by Lilly or pending legal claims or litigation, in each case relating to the Covered Product or Lilly Patents listed on Exhibit A of this Agreement;

(c) [***], there are no legal claims, judgments or settlements against or owed by Lilly or pending legal claims or litigation, in each case relating to the Lilly Patents;

(d) all necessary consents, approvals, certificates, registrations and authorizations of all government authorities and other persons required to be obtained by Lilly as of and after the Effective Date in connection with the execution, delivery and performance of this Agreement have been obtained;

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(e) [***], it Controls the right, title and interest in and to the Know-How listed on Exhibit B used or generated by Lilly in connection with Lilly's Development of the Covered Product and Covered Compound and the Patents set forth in Exhibit A, has the right to grant to Terns the licenses that it purports to grant hereunder, and has not granted any Third Party rights that would interfere or be inconsistent with Terns' rights hereunder;

(f) [***], the Lilly Technology is not subject to any existing royalty or other payment obligations to any Third Party;

(g) [***], of any other Patents, Know- How, or other intellectual property right Controlled by Lilly or its Affiliates, other than that which is licensed hereunder to Terns, which the Development, Manufacture, use and/or Commercialization of Covered Product as contemplated hereunder would infringe;

(h) [***], it has disclosed to Terns a complete and accurate record of material information and data relating to the results of pre-clinical and clinical studies on the Covered Product conducted by or on behalf of Lilly including the status and interim results of ongoing clinical and preclinical studies, and the clinical development and Regulatory Approval activities undertaken to date, and such information and data is complete and accurate in material respects;

(i) [***], the Lilly Technology, Covered Products, and Covered Compounds do not infringe any Third Party intellectual property rights; and

10.2 **Representations, Warranties, and Covenants of Terns**. Terns represents, warrants, and covenants to Lilly that as of the Effective Date:

(a) it has the full right, power and authority to enter into this Agreement, to perform the Development, Manufacture and Commercialization of the Covered Product and the fulfillment of its obligations and performance of its activities hereunder do not materially conflict with, violate, or breach or constitute a default under any material contractual obligation or court or administrative order by which Terns is bound;

(b) all necessary consents, approvals and authorizations of all government authorities and other persons required to be obtained by Terns as of the Effective Date in connection with the execution, delivery and performance of this Agreement have been obtained;

(c) there are no legal claims, judgments or settlements against or owed by Terns or pending legal claims or litigation, in each case relating to any antitrust, anti-competitive, anti-bribery or corruption violations; and

(d) it is not, and will not be or become, a Party to any agreement or contractual obligation with a Third Party that conflicts with or is inconsistent with Terns' rights and obligations under this Agreement.

10.3 **No Other Representations or Warranties**. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT,

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OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, ARE MADE OR GIVEN BY OR ON BEHALF OF A PARTY. ALL REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

11. INDEMNIFICATION.

11.1 **By Terns.** Terns agrees to indemnify and hold harmless Lilly, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "**Lilly Indemnitee(s)**") from and against all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) incurred in connection with any claims, demands, actions or other proceedings by any Third Party (individually and collectively, "**Losses**") first arising after the Effective Date to the extent arising from (a) Manufacturing, Development and Commercialization activities, including the promotion of the Covered Product, by Terns, any of its Related Parties or Permitted Sublicensees, (b) the negligence, illegal conduct or willful misconduct of Terns, or (c) Terns' breach of any of its representations or warranties made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) through (c), except to the extent such Losses arise out of an Lilly Indemnitee's negligence, illegal conduct or willful misconduct, or breach of this Agreement.

11.2 **By Lilly**. Lilly agrees to indemnify and hold harmless Terns, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "**Terns Indemnitee(s)**") from and against all Losses to the extent arising from (a) the negligence, illegal conduct or willful misconduct of Lilly, or (b) Lilly's breach of any of its representations or warranties made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) and (b), except to the extent such Losses arise out of any of a Terns Indemnitee's negligence, illegal conduct or willful misconduct, or breach of this Agreement.

11.3 **Defined Indemnification Terms**. Either of the Terns Indemnitee or the Lilly Indemnitee shall be an "**Indemnitee**" for the purpose of this Article 11, and the Party that is obligated to indemnify the Indemnitee under Article 11.1 or Article 11.2 shall be the "**Indemnifying Party.**"

11.4 **Defense**. If any such claims or actions are made, the Indemnitee shall be defended at the Indemnifying Party's sole expense by counsel selected by the Indemnifying Party, provided that the Indemnitee may, at its own expense, also be represented by counsel of its own choosing. The Indemnifying Party shall have the sole right to control the defense of any such claim or action, subject to the terms of this Article 11.

11.5 **Settlement**. Subject to Article 11.7 of this Agreement, the Indemnifying Party may settle any such claim, demand, action or other proceeding or otherwise consent to an adverse judgment (a) with prior written notice to the Indemnitee but without the consent of the Indemnitee where the only liability to the Indemnitee is the payment of money and the Indemnifying Party makes such payment, or (b) in all other cases, only with the prior written consent of the Indemnitee, such consent not to be unreasonably withheld or delayed.

11.6 **Notice**. The Indemnitee shall notify the Indemnifying Party promptly of any claim, demand, action or other proceeding under Article 11.1 or Article 11.2 and shall reasonably cooperate with all reasonable requests of the Indemnifying Party with respect thereto.

11.7 **Permission by Indemnifying Party**. The Indemnitee may not settle any such claim, demand, action or other proceeding or otherwise consent to an adverse judgment in any such action or other proceeding or make any admission as to liability or fault without the express written permission of the Indemnifying Party.

11.8 **Limitation of Liability**. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS ARTICLE 11.8 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER ARTICLE 11, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF CONFIDENTIALITY OBLIGATIONS IN ARTICLE 9.

12. INVENTIONS; INTELLECTUAL PROPERTY.

12.1 **Ownership of Intellectual Property**.

(a) Lilly shall remain the sole and exclusive owner of all Lilly Patents and Lilly Know-How. Terns shall remain the sole and exclusive owner of any Terns Patents and Terns Know-How.

(b) Lilly shall own all data, results and inventions, whether patentable or not, conceived or reduced to practice in connection with Lilly's activities under this Agreement solely by Lilly, including its consultants or Permitted Sublicensees, together with all intellectual property rights therein (the "**Lilly Developed IP**"). Terns shall own all data, results and inventions, whether patentable or not, conceived or reduced to practice in the course of the Development, Manufacture, and Commercialization of the Covered Product or otherwise in connection with Terns' activities under this Agreement solely by Terns, including its consultants or Permitted Sublicensees, together with all intellectual property rights therein (the "**Terns Developed IP**"). The Parties do not contemplate any joint activities that may result in the conception or reduction to practice of data results, or inventions, whether patentable or not, jointly by the Parties; provided, however, that if any data, results and inventions, whether patentable or not, are jointly conceived or reduced to practice by Lilly and Terns in connection with their activities under this Agreement, the same shall be [***].

(c) Each Party hereby assigns all data, results and inventions to the other Party as necessary to achieve ownership as provided in Article 12.l(a) and Article 12.l(b). Each assigning Party shall execute and deliver all documents and instruments reasonably requested by the other Party to evidence or record such assignment or to file for, perfect or enforce the assigned rights without additional consideration. Each Party shall perform, and shall cause its Affiliates to perform, its activities under this Agreement through employees, independent contractors and agents who are required to assign their rights in any data, results and inventions to such Party (or its Affiliate) and to execute such agreements, instruments and documents as may be reasonably required to perfect such Party's (or its Affiliate's) rights in such data, results and inventions.

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12.2 **Patent Filing, Prosecution and Maintenance**. Terns shall have sole responsibility and decision-making authority for all Patent Prosecution actions relating to (a) (i) the Lilly Patents set forth on Exhibit A and (ii) Patents contained in the Lilly Developed IP that are [***] the Covered Compounds or Covered Products, and (b) the Patents contained in the Terns Developed IP that are [***] the Covered Compounds or Covered Products ((a) and (b), the "**Terns Prosecuted Patents**"), at Terns' expense. Terns shall establish an overall strategy for the Patent Prosecution of Terns Prosecuted Patents. The primary objective of each such strategy shall be to [***]. Terns shall keep Lilly informed of the status of Patent Prosecution actions taken in the Territory with respect to Terns Prosecuted Patents, including regularly providing the informed entities with copies of all prospective patent applications and patent applications filed hereunder and other material submissions and correspondence with government agencies concerning the Terns Prosecuted Patents, as applicable. When applicable, for material Patent Prosecution events, Terns shall consider the advice and suggestions of Lilly's patent counsel before taking an action.

12.3 **Patent Oppositions**. In consultation with the Parties' patent departments, the Parties will mutually decide whether and how to participate in Patent oppositions and undertake activities intended to invalidate Third Party Patents when necessary, at Terns expense. Each Party will keep the other Party informed and apprised of any such decisions and activities.

12.4 **Abandonment of Patent or Patent Prosecution**. Terns may in its sole discretion elect to discontinue Patent Prosecution in any country on a Patent-by-Patent as provided for under Article 12.2 above. Terns shall give prompt notice to Lilly if Terns declines to pay costs for the filing, prosecution or maintenance of a Terns Prosecuted Patent in any country of the Territory, and in such case, Lilly shall have the right to file, prosecute or maintain such Patent at its own expense. If Lilly decides to take over Patent Prosecution of such Patent, then Terns shall promptly deliver to Lilly copies of all necessary files related to such Patent with respect to which responsibility has been transferred and shall take all actions and execute all documents reasonably necessary for Lilly to assume such responsibility and shall assign such Patents to Lilly. As of the date of such notice of Terns' assignment or return to Lilly, Terns shall have no further liability to Lilly for such Patent aside from cooperating in the exchange of documents related to such Patent.

12.5 **Patent Prosecution Cooperation**. With respect to all Patent Prosecution each Party shall:

(a) execute any instruments to document their respective ownership consistent with this Agreement as reasonably requested by the other Party;

(b) make its employees, agents and consultants reasonably available to the other Party (or to the other Party's authorized attorneys, agents or representatives), to the extent reasonably necessary to enable the appropriate Party hereunder to undertake its Patent Prosecution responsibilities;

(c) cooperate, if necessary, with the other Party in gaining Patent term extensions; and

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(d) act in good faith to coordinate its efforts under this Agreement with the other Party to minimize or avoid interference with the Patent Prosecution of the other Party's Patents to the Covered Product.

12.6 **Enforcement**.

(a) Notice. Each Party shall promptly provide, but in no event later than [***], to the other with written notice reasonably detailing any known or alleged infringement of any Patent or trademark owned or Controlled by either Party and subject to a license under this Agreement.

(b) Enforcement of Intellectual Property Rights. Terns shall have the first right (but shall not be obligated) to bring and control an action to enforce Lilly Patents against any Third Party believed to be infringing such Patent or misappropriating or otherwise violating any Lilly Know-How in the Territory, at its cost; provided, however, that Terns shall consult in advance with Lilly regarding such action. If Terns does not abate such violation of the Lilly Patent or Lilly Know-How by commencement of a lawsuit against the Third Party if necessary, then Lilly shall have the second right (but shall not be obligated) to take all actions reasonably necessary to abate such violation, including commencement of a lawsuit against the Third Party if necessary, at its cost. The primary objective of any patent enforcement action shall be [***]. All amounts recovered from enforcement of any such rights by either Party relating to the intellectual property licensed under this Agreement shall be first used to reimburse each Party's costs and expenses incurred in connection with such action, and any remainder of such recovery shall be [***].

(c) Cooperation in Enforcement Proceedings. For any action by a Party pursuant to sub-article (b) above, in the event that such Party is unable to initiate or prosecute such action solely in its own name, the other Party will join such action voluntarily and will execute all documents necessary for such Party to initiate, prosecute and maintain such action. If either Terns or Lilly initiates an enforcement action pursuant to Article 12.6(b), then the other Party shall cooperate to the extent reasonably necessary and at the first Party's sole expense (except for the expenses of the non-controlling Party's counsel, if any). Upon the reasonable request of the Party instituting any such action, such other Party shall join the suit and can be represented in any such legal proceedings using counsel of its own choice. Each Party shall assert and not waive the joint defense privilege with respect to all communications between the Parties reasonably the subject thereof.

12.7 **Defense**.

(a) Notice. Each Party shall notify the other in writing of any allegations it receives from a Third Party that the Manufacture, production, use, Development, Commercialization or distribution of any Covered Product or any technology or intellectual property licensed by a Party under this Agreement infringes the intellectual property rights of such Third Party. Such notice shall be provided promptly, but in no event after more than [***], following receipt of such allegations. Such written notice shall include a copy of any summons or complaint (or the equivalent thereof) received regarding the foregoing. Each Party shall assert and not waive the joint defense privilege with respect to all communications between the Parties.

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(b) Conduct of Defense. In such event, the Parties shall agree how best to mitigate or control the defense of any such legal proceeding, agree whether to enter into a joint defense agreement to, among other reasons, preserve the confidentiality of communications or cooperation between the Parties in relation to such defense, and determine which Party is best suited to assume the primary responsibility for the conduct of the defense of any such claim at their expense. The other Party shall have the right, but not the obligation, to participate and be separately represented in any such suit at its sole option and at its own expense. Each Party shall reasonably cooperate with the Party conducting the defense of the claim. If a Party or any of its Affiliates have been individually named as a defendant in a legal proceeding relating to the alleged infringement of a Third Party's Patents or other intellectual property right as a result of the Manufacture, production, use, Development, Commercialization or distribution of the Covered Product, then that Party shall conduct the defense and the other Party shall be allowed to join in such action, at its own expense.

(c) Status; Settlement. The Parties shall keep each other informed of the status of and of their respective activities regarding any infringement litigation initiated by a Third Party concerning a Party's Manufacture, production, use, Development, Commercialization or distribution of the Covered Product or settlement thereof; provided, however, that no settlement or consent judgment or other voluntary final disposition of a suit under this Article 12.7(c) may be undertaken by a Party without the consent of the other Party which consent shall not be unreasonably withheld or delayed.

(d) Limitations. Notwithstanding anything to the contrary in this Article 12.7, if a Party is an Indemnifying Party with respect to any Losses stemming from a claim or action by a Third Party alleging infringement of a Third Party's Patents or other intellectual property right as a result of the Manufacture, production, use, Development, Commercialization or distribution of the Covered Product or any technology or intellectual property licensed by a Party under this Agreement, Article 11 shall supersede this Article 12.7 with respect to the defense and settlement of such action or claim to the extent there are conflicts.

13. TERMS AND TERMINATION.

13.1 **Term**. This Agreement shall be effective as of the Effective Date and unless terminated earlier pursuant to Articles 13.2, 13.3, 13.4, or 13.5, shall continue in effect on a country-by-country basis until the expiration of the Royalty Term (the "**Term**"). Upon the natural expiration of this Agreement as contemplated in this Article 13.1, Terns' license granted under this Agreement for the Covered Product in such country shall become a fully paid-up. irrevocable, non-exclusive, perpetual license.

13.2 **Unilateral Termination by Terns**. Terns shall have the right to terminate this Agreement in its entirety or on a Covered Product-by-Covered Product and country-by-country basis, in its sole discretion by giving one hundred eighty (180) days advance written notice to Lilly.

13.3 **Termination for Breach**. This Agreement may be terminated in its entirety at any time during the Term upon written notice by either Party if the other Party materially breaches this Agreement and, if such breach is curable, such breach has not been cured within ninety (90) days after notice requesting cure of such breach; provided, however, that if such breach is not reasonably subject to cure within ninety (90) days, subject to commercially reasonable efforts (which in no

event shall be less than reasonably diligent efforts) being undertaken by the breaching Party throughout such 90-day period and thereafter to cure such breach as promptly as possible, this Agreement may not be terminated pursuant to this Article 13.3 unless such breach is not cured within one hundred eighty (180) days following notice requesting cure of such breach.

13.4 **Termination for Insolvency**.

(a) Each Party shall have the right to terminate this Agreement upon delivery of written notice to the other Party in the event that (i) such other Party files in any court or agency pursuant to any statute or regulation of any jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of such other Party or its assets, (ii) such other Party is served with an involuntary petition against it in any insolvency proceeding and such involuntary petition has not been stayed or dismissed within ninety (90) days of its filing, or (iii) such other Party makes an assignment of substantially all of its assets for the benefit of its creditors.

(b) All rights and licenses granted under or pursuant to any Article of this Agreement are and shall otherwise be deemed to be for purposes of Section 365(n) of Title 11, United States Code (the "**Bankruptcy Code**") licenses or rights to "intellectual property" (as defined in Section 101(35A) of Bankruptcy Code). Each Party hereby acknowledges that (i) copies of research data, (ii) laboratory samples, (iii) product samples, (iv) formulas, (v) laboratory notes and notebooks, (vi) data and results related to clinical trials. (vii) Regulatory Filings and Regulatory Approvals, (viii) rights of reference in respect of Regulatory Filings and Regulatory Approvals, (ix) pre-clinical research data and results, and (x) marketing, advertising and promotional materials, in each case, that relate to such intellectual property, constitute "embodiments" of such intellectual property pursuant to Section 365(n) of the Bankruptcy Code. Each Party agrees not to interfere with the other Party's exercise, pursuant to Section 365(n) of the Bankruptcy Code, of rights and licenses to intellectual property licensed hereunder and embodiments thereof and agrees to use commercially reasonable efforts to assist such other Party to obtain such intellectual property and embodiments thereof in the possession or control of Third Parties as reasonably necessary for such other Party to exercise, pursuant to Section 365(n) of the Bankruptcy Code, such rights and licenses. Each Party shall take any and all action requested by the other Party to ensure that the foregoing provisions of this Article 13.4(b) may be fully effectuated under Applicable Laws, and, if requested by the other Party, each Party shall procure that any past, existing or future creditor of the other Party irrevocably waives in writing any and all rights that such creditor may have to the intellectual property licensed hereunder and embodiments thereof.

13.5 **Termination for Patent Challenge**. Lilly may terminate this Agreement by providing thirty (30) days prior notice to Terns in the event Terns or any of its Affiliates voluntarily, whether directly or indirectly, challenges the validity of the Lilly Patents in a legal proceeding or supports a Third Party in the challenge of a Lilly Patent in a legal proceeding [***]. In the event a Sublicensee of Terns voluntarily challenges the validity of a Lilly Patent, Lilly may terminate this Agreement hereunder upon thirty (30) days' notice to Terns, if Terns does not terminate such sublicense agreement or such challenge is not withdrawn or settled (by such Sublicensee or Terns) within the thirty (30) day notice period.

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13.6 **Effect of Termination**.

(a) General. Upon the termination of this Agreement in its entirety or on a Covered Product-by-Covered Product and country-by-country basis for any reason, [***]. Termination of this Agreement for any reason shall not release either Party of any obligation or liability which, at the time of such termination, has already accrued to the other Party or which is attributable to a period prior to such termination. Notwithstanding anything herein to the contrary, termination of this Agreement by a Party shall be without prejudice to other remedies such Party may have at law or equity. Except as otherwise provided in this Article 13.6, neither Party shall be required to return any upfront payment, milestone payments, or royalties received by a Party prior to the effective date of the expiration or termination of this Agreement.

(b) Additional Provisions. Upon termination of this Agreement pursuant to [***], the following provisions will apply:

(i) Cessation of Ongoing Trials. If there are any ongoing clinical trials with respect to the Covered Product being conducted by or on behalf of Terns or its Affiliates or Sublicensees at the time of the notice of termination, Terns agrees to promptly terminate such clinical trials in an orderly manner that ensures patient safety, continuity of treatment, if appropriate, and compliance with Applicable Laws. Upon early termination of this Agreement, the Parties shall cooperate to provide for an orderly cessation of any clinical trials. Each Party further agrees to take no action or forego taking action if such action or forbearance would in any manner jeopardize patient safety or cause the other Party to violate any Applicable Laws. Notwithstanding anything to the contrary, the Parties agree and acknowledge that any expense or liability associated with the activities contemplated under this Article 13.6(b)(i) shall be entirely borne by Terns.

(ii) Wind-Down. Terns shall reasonably cooperate with Lilly to facilitate a smooth, orderly and prompt transition of any ongoing Covered Product development activities being conducted by or on behalf of Terns or its Affiliates to Lilly or its designee(s), with due regard for patient safety and in compliance with all Applicable Laws. In particular, Terns shall (i) promptly inform Lilly on the status of the ongoing clinical trials, including the estimated timelines, budgets and required resources, and answer any reasonable question Lilly may have regarding such clinical trials at Lilly's cost; and (ii) wind down in an orderly fashion any clinical trials and cease all other development activities, or, at the election of Lilly, if practicable under Applicable Laws, Terns shall permit Lilly to take over such development activities, with Lilly paying any costs incurred by Terns, *provided that* Terns promptly informs Lilly in writing on all material development activities and associated costs and Lilly provides written notice to Terns of its intent to take over such development activities prior to effective termination of this Agreement or within thirty (30) days after receipt of the information on the ongoing development activities, whichever is earlier. Upon receipt of such notice by Lilly, if practicable under Applicable Laws, Terns shall use commercially reasonable efforts to (x) transfer data and information related to the terminated Covered Products that is necessary to advance the program as Terns was advancing such program as of the effective date of termination; (y) offer to make available Covered Products still on stock at Lilly at a reasonable price and upon terms to be negotiated by the Parties in good faith; and (z) provide all support at Lilly's cost as reasonably required for Lilly to take over the development activities, and the Parties shall discuss in good faith the details of a transfer of the respective clinical trials and other development activities to Lilly. If and to the extent Lilly decides to take over the development activities, Lilly shall be responsible for the costs of such development activities which are being incurred by either Party after the effective date of termination.

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(iii) Demand for Transfer of Regulatory Approvals. If assignment and transfer is practicable under Applicable Laws, Lilly shall be entitled to demand from Terns the assignment and transfer of Regulatory Approvals held by Terns, its Affiliates or Sublicensees and if Regulatory Approvals have not been obtained by Terns, its Affiliates or Sublicensees, Lilly may request that Terns transfers to Lilly the status of any application for the Regulatory Approvals and notifies the competent Regulatory Authority thereof and supplies Lilly with all documents and clinical data already prepared by Terns, its Affiliates or Sublicensees to the extent necessary for the filing of applications for Regulatory Approvals (with Terns using its commercially reasonable efforts to promptly undertake such actions at Lilly's cost);

(iv) Non-Exclusive License to Terns' IP. Terns shall grant to Lilly, upon the effective date of such termination a [***], non-exclusive, [***], and worldwide license (with the right to sublicense in multiple tiers) to the Terns intellectual property solely for purposes of the research, development, registration, manufacture (including formulation), distribution, sale, use, import and/or export of the Covered Products being terminated as such Covered Products exist as of the effective date of termination and solely to the extent such Terns' intellectual property has been used for the research, development, registration, manufacture (including formulation), distribution, sale, use, import and/or export of the Covered Products (as such exist on the date of termination).

(v) Return of Confidential Information. Upon expiration or other termination of this Agreement, the Receiving Party agrees to remove all copies and instances of the Disclosing Party's Confidential Information, including any data provided by the Disclosing Party hereunder, from the Receiving Party's systems and files, and at the Disclosing Party's discretion either promptly return all of the Disclosing Party's Confidential Information or destroy all of the Disclosing Party's Confidential Information in its possession, and certify to the same; provided, that, the Receiving Party shall not be required to return copies of the Disclosing Party's Confidential Information retained in the Receiving Party's automatic electronic back-ups, subject to the Receiving Party's compliance with the obligations of confidentiality and non-use under this Agreement with respect to such Confidential Information of the Disclosing Party for so long as such back-ups are retained.

(c) Non-Exclusive Remedy. If either Party has the right to proceed under Article 13.3, it may at its sole option, elect either to (i) terminate this Agreement and pursue any legal or equitable remedy available to it or (ii) maintain this Agreement in effect and pursue any legal or equitable remedy available to it.

13.7 **Survival**.

The following provisions shall survive the termination or expiration of this Agreement for any reason: Articles 1, 7 (to the extent payments have accrued. and with respect to payments that have accrued, prior to the effective date of termination), 9.1, 9.2(a), 11, 12.1, 13.6, 13.7, 14, and 15. For purposes of clarity, termination of this Agreement for any reason whatsoever shall not relieve Terns of its obligations to pay all royalties, milestones and other amounts payable to Lilly which have accrued prior to, but remain unpaid as of, the date of expiration or termination hereof.

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14. DISPUTE RESOLUTION

14.1 **Disputes**. The Parties recognize that disputes as to certain matters may from time to time arise which relate to either Party's rights or obligations hereunder. It is the objective of the Parties to establish procedures to facilitate the resolution of such disputes in an expedient manner by mutual cooperation; however, should a dispute arise, the Parties agree to follow the arbitration procedures set forth in Article 14.2.

14.2 **Arbitration Procedures**. In the event of a dispute, that cannot be resolved through good faith negotiations as set forth above, the dispute shall be referred to and finally resolved by arbitration in the following manner:

(a) The dispute shall be settled by arbitration in New York, USA under the Rules of Arbitration of the International Chamber of Commerce (the "**Rules**") in force when the notice of arbitration is submitted in accordance with the Rules. There shall be [***] arbitrators appointed in the following manner: each Party shall nominate an arbitrator for confirmation as provided in the Rules and following their confirmation, the third arbitrator shall be appointed by the International Court of Arbitration of the International Chamber of Commerce; provided, however, that such [***] arbitrator shall have substantive expertise in the pharmaceutical industry.

(b) The arbitral proceedings shall be conducted in English. To the extent that the Rules are in conflict with the provisions of this Article 14.2, including the provisions concerning the appointment of the arbitrator, the provisions of this Article 14.2 shall prevail.

(c) Each Party to the arbitration shall cooperate with each other Party to the arbitration in making full disclosure of and providing complete access to all information and documents requested by such other Party in connection with such arbitral proceedings, subject only to any confidentiality obligations binding on such Party.

(d) The award of the arbitral tribunal shall be final and binding upon the Parties a party thereto, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award.

(e) Any Party that is a party to the dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

15. MISCELLANEOUS.

15.1 **Force Majeure**. Neither Party shall be held liable to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in performing any obligation under this Agreement to the extent such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including, but not limited to, embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, fire, floods, or other acts of God, or acts, omissions or delays

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in acting by any Governmental Authority. The affected Party shall notify the other Party of such force majeure circumstances as soon as reasonably practical, and shall promptly undertake all commercially reasonable efforts necessary to cure such force majeure circumstances.

15.2 **Assignment or Change of Control**.

(a) Except as otherwise set forth in this Agreement, this Agreement and its rights, privileges, and obligations may not be assigned or otherwise transferred by either Party without the prior written consent of the other Party; provided that either Party may assign, without consent but with prior written notice, such Party's rights and obligations, in whole or in part, under this Agreement (i) in connection with a merger, consolidation, or sale of substantially all of the assigning Party's assets related to this Agreement to an unrelated Third Party, (ii) in connection with a Change of Control, or (iii) to an Affiliate of such Party (in which case the Affiliate to whom any rights or obligations have been assigned shall be considered a "Party" to this Agreement for purposes of such rights and obligations); provided that in the case of an assignment of obligations by Terns to a Terns Affiliate, if such Terns Affiliate fails to perform such obligations, then Terns shall remain liable in all respects under this Agreement for such obligations, notwithstanding the assignment to such Affiliate. For clarity, Article 15.2(a)(iii) includes the right for Terns to assign any rights or obligations under this Agreement to an Affiliate in Mainland China, and in case of such assignment, such Affiliate would make payments required under this Agreement directly to Lilly.

(b) For the purposes of this Agreement, a "**Change of Control**" of a Party occurs upon (i) the closing of a sale of all or substantially all of the assets of such Party to a Third Party in one transaction or series of transactions, (ii) the closing of a merger or other business combination or transaction that results in a Third Party owning, directly or indirectly, of more than fifty percent (50%) of the voting securities of such Party, or (iii) the closing of a transaction, following which a Third Party acquires direct or indirect ability or power to direct or cause the direction of the management and policies of such Party or otherwise direct the affairs of such Party, whether through ownership of equity, voting securities, beneficial interest, by contract, or otherwise, provided that for the purposes of this Agreement, a Change of Control shall not be deemed to have taken place if such Change of Control transaction involves a reorganization or similar transaction amongst the direct or indirect shareholders or Affiliates of such Party, following which a shareholder or Affiliate of such Party emerges as the direct or indirect owner of more than fifty percent (50%) of the voting securities, or owning all or substantially all the assets of the Party, or acquiring the direct or indirect ability or power to direct or cause the direction of the management and policies of such Party. Any assignee must assume in writing the obligations of the assigning Party to which it is the assignee or successor. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and assigns. Any attempted assignment or transfer of this Agreement not in accordance with this Article 15.2 shall be null and void.

15.3 **Severability**. If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the Parties. The Parties shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

15.4 **Notices**. All notices which are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Terns:

Terns Pharmaceuticals, Inc.
1810 Gateway Drive, Suite 320
San Mateo, California 94404 USA
Attention: ***
Telephone: ***

With a copy to:

Ropes & Gray LLP
36F, Park Place 1601 Nanjing Road West
Shanghai 200040, China
Attention: ***
Telephone: ***
Facsimile: + 86 21 6157 5299

If to Lilly:

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285 USA
Attention: Sr. Vice President Corporate Business Development
Facsimile: 317-433-3000

With a copy to:

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285 USA
Attention: General Counsel
Facsimile: 317-433-3000

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a Business Day; (b) on the Business Day after dispatch if sent by nationally-recognized overnight courier; or (c) on the fifth (5th) Business Day following the date of mailing if sent by mail.

15.5 **Applicable Law and Litigation**. All questions of inventorship will be determined in accordance with U.S. patent laws. In respect to all other Patent issues, the rights of the Parties

will be governed by the laws of the jurisdiction in which the applicable Patent is filed or granted. In all other respects, this Agreement shall be governed by and construed in accordance with the laws of New York, USA without reference to any rules of conflict of laws.

15.6 **Entire Agreement; Amendments**. This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, with regard to the subject matter hereof (including the licenses granted hereunder) are superseded by the terms of this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representatives of both Parties hereto.

15.7 **Headings**. The captions to the several Articles hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the Articles and Articles of this Agreement.

15.8 **Independent Contractors**. It is expressly agreed that Lilly and Terns shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither Lilly nor Terns shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party.

15.9 **Waiver**. The waiver by either Party of any right hereunder, or the failure of the other Party to perform, or a breach by the other Party, shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise.

15.10 **Waiver of Rule of Construction**. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

15.11 **Construction**. Except where the context expressly requires otherwise, (a) the use of any gender herein shall be deemed to encompass references to either or both genders, and the use of the singular shall be deemed to include the plural (and vice versa), (b) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (c) the word "will" shall be construed to have the same meaning and effect as the word "shall", (d) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (e) any reference herein to any person shall be construed to include the person's successors and assigns, (f) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (g) all references herein to Articles or Exhibits shall be construed to refer to Articles or Exhibits of this Agreement, and references to this Agreement include all Exhibits hereto, (h) the word "notice" means notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement, (i) provisions that require that a Party, the Parties or any committee hereunder "agree", "consent" or "approve" or the like shall require that

such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise (but excluding e-mail and instant messaging), (j) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement or successor law, rule or regulation thereof, and (k) the term "or" shall be interpreted in the inclusive sense commonly associated with the term "and/or."

15.12 **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. Each Party shall be entitled to rely on the delivery of executed facsimile copies of counterpart execution pages of this Agreement and such facsimile copies shall be legally effective to create a valid and binding agreement among the Parties.

15.13 **Compliance with Anti-Corruption Laws and Prohibited Conduct**. In connection with this Agreement, Terns will comply with all applicable local, national, and international laws, regulations, and industry codes dealing with government procurement, conflicts of interest, corruption or bribery, including, if applicable, the U.S. Foreign Corrupt Practices Act of 1977 ("**FCPA**"), as amended, and any laws enacted to implement the Organisation of Economic Cooperation and Development ("**OECD**") Convention on Combating Bribery of Foreign Officials in International Business Transactions. Moreover, in connection with this Agreement, Terns has not made, offered, given, promised to give, or authorized, and will not make, offer, give, promise to give, or authorize, any bribe, kickback, payment or transfer of anything of value, directly or indirectly, to any person or to any Government Official for the purpose of: (i) improperly influencing any act or decision of the person or Government Official; (ii) inducing the person or Government Official to do or omit to do an act in violation of a lawful or otherwise required duty; (iii) securing any improper advantage; or (iv) inducing the person or Government Official to improperly influence the act or decision of any organization, including any government or government instrumentality, to assist Terns or Lilly in obtaining or retaining business. For purposes of this Section 15.13 the term "**Government Official**" means: (i) any officer or employee of: (a) a government, or any department or agency thereof; (b) a government-owned or controlled company, institution, or other entity, including a government-owned hospital or university; or (c) a public international organization (such as the United Nations, the International Monetary Fund, the International Committee of the Red Cross, and the World Health Organization), or any department or agency thereof; (ii) any political party or party official or candidate for public or political party office; and (iii) any person acting in an official capacity on behalf of any of the foregoing. Terns agrees that breach of this section 15.3 of the Agreement shall be considered a material breach of the Agreement and that Lilly may immediately seek all remedies available under law and equity, including termination of this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

TERNS PHARMACEUTICALS, INC.

By: /s/ Weidong Zhong
Name: Weidong Zhong

Title: President and CEO

ELI LILLY AND COMPANY

By: /s/ Daniel Skovronsky
Name: Daniel Skovronsky

Title: Senior Vice President Clinical and Product Development

Schedule 1.14, Compound

[***]

Schedule 1.13

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

Exhibit A, Lilly Patents

[***]

Exhibit A

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Exhibit B, Materials/Lilly Know-How to be Transferred

[***]

Exhibit B

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Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

ASSIGNMENT

between

TERNS PHARMACEUTICALS, INC.

and

VINTAGENCE BIOTECHNOLOGY, LTD.

ASSIGNMENT AGREEMENT

This Assignment Agreement (this "**Agreement**"), effective as of June 24, 2019 (the "**Effective Date**"), is entered into by and among Terns Pharmaceuticals, Inc., an exempted company incorporated under the laws of the Cayman Islands having a place of business P. O. Box 613, Harbor Center, George Town, Grand Cayman KY1-1107, Cayman Islands ("**Terns**") and Vintagence Biotechnology Ltd., a China company, having a place of business at Yuan Feng Road No. 168, Suite 313, Kun Shan City, Jiangsu province, China ("**Vintagence**"). Vintagence and Terns may be referred to herein individually as a "**Party**" or collectively as the "**Parties**." Reference to a Party shall be deemed to include that Party's Affiliates.

Recitals:

WHEREAS, Vintagence is the owner of [***], a thyroid hormone receptor beta (THR-ß) agonist, and desires to have [***], or its back-up compound(s), developed, manufactured, and commercialized as a pharmaceutical product;

WHEREAS, Terns is an international pharmaceutical company having experience in the development, manufacture and commercialization of pharmaceutical products;

NOW, THEREFORE, Vintagence and Terns desire to enter into this worldwide, assignment wherein Terns will develop, manufacture, and commercialize [***], or its backup compound(s), on a worldwide basis.

In consideration of the foregoing premises and the mutual covenants herein contained, the Parties hereby agree as follows:

Agreement:

1. DEFINITIONS.

Unless specifically set forth to the contrary herein, the following terms, whether used in the singular or plural, shall have the respective meanings set forth below:

1.1 "**Affiliate**" means with respect to any Party, any person or entity controlling, controlled by or under common control with such Party. For purposes of this Article 1.1, "control" means (a) in the case of a corporate entity, direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of directors of such corporate entity and (b) in the case of an entity that is not a corporate entity, the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

1.2 "**Agreement**" shall have the meaning set forth in the introduction to this agreement.

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1.3 "**Applicable Laws**" means all statutes, ordinances, regulations, rules or orders of any kind whatsoever of any Governmental Authority that may be in effect from time to time and applicable to the activities contemplated by this Agreement.

1.4 "**Backup Compound**" means (a) any compound covered by the patents and/or patent applications set forth in Exhibit A (and any Patents resulting or derived therefrom in any country or supranational jurisdiction in the Territory) having [***] activity as a THR-ß agonist and designated by Terns as a backup compound to [***] (which designation may occur at any time during the Term in Terns' discretion), (b) a [***] of the compound specified in (a) above wherein the [***] has [***] activity as a THR-ß agonist, and (c) any [***] of the compound specified in (a) above.

1.5 "**Business Day**" means a day other than a Saturday, Sunday, or a bank or other public holiday in Mainland China or in the United States.

1.6 "**China Yuan**" or "**CNY**" means China Yuan, the lawful currency of the People's Republic of China.

1.7 "**CMC**" means chemistry, manufacturing, and control.

1.8 "**Commercially Reasonable Efforts**" means carrying out of obligations or tasks in a manner consistent with the efforts a pharmaceutical company similar in size to Terns and with resources similar to the resources of Terns, devotes to research, development or marketing of a pharmaceutical product or products of similar market potential, profit potential or strategic value resulting from its own research efforts or for its own benefit, taking into account technical, regulatory and intellectual property factors, target product profiles, product labeling, past performance, costs, economic return, the regulatory environment and competitive market conditions in the therapeutic or market niche, all based on conditions then prevailing.

1.9 "**Compound**" means (a) the compound designated by Vintagence as [***], (b) a [***] of the compound specified in (a) above wherein the [***] has [***] activity as a THR-ß agonist, and (c) any [***] of the compound specified in (a) above.

1.10 "**Confidential Information**" means all confidential information of the Disclosing Party or its Affiliates, regardless of its form or medium as provided to the Receiving Party or its Affiliates in connection with this Agreement; provided that, Confidential Information shall not include any information that the Receiving Party can show by competent evidence: (a) is already known to the Receiving Party at the time it is disclosed to the Receiving Party by the Disclosing Party without an obligation of confidentiality and not through a prior disclosure by the Disclosing Party; (b) is or becomes generally known to the public through no act or omission of the Receiving Party in violation of the terms of this Agreement; (c) has been lawfully received by the Receiving Party from a Third Party without restriction on its disclosure and without, to the knowledge of the Receiving Party, a breach by such Third Party of an obligation of confidentiality to the Disclosing Party; or (d) has been independently developed by the Receiving Party without use of or reference

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to the Confidential Information of the Disclosing Party. If the Receiving party claims that the information it received falls under the preceding sub-clause (c), the Receiving Party shall provide reasonably satisfactory supporting documentation thereof, otherwise, the information shall still be deemed as Confidential Information (to the extent it otherwise meets the requirements set forth in this Section 1.10).

1.11 "**Controlled**" means, with respect to any item of or right under Patents or Know-How, the ability of a Party (whether through ownership or license or other right), other than pursuant to this Agreement, to grant access to, license or sublicense such item or right without violating the terms of any agreement or other arrangement with any Third Party existing at the time such Party would be required hereunder to grant the other Party such access or license or sublicense.

1.12 "**Covered Compound**" means the Compound and the Backup Compounds.

1.13 "**Covered Product**" means any and all pharmaceutical products containing a Covered Compound, whether alone or in combination with other active or inactive ingredients.

1.14 "**Develop**" or "**Development**" or "**Developing**" means research, discovery, and preclinical and clinical drug or biological development activities, including test method development and stability testing, toxicology, formulation, quality assurance/quality control development, CMC, statistical analysis, preclinical and clinical studies and regulatory affairs, approval and registration, in each case, of a Covered Compound and/or Covered Product for use in the Field, and to the extent normally undertaken during the development (as opposed to Commercialization) phase of such Covered Compound or Covered Product's life cycle. Development shall include, if applicable, all phase IV clinical studies requested or required by the Regulatory Authority in the Territory or to maintain Regulatory Approvals in the Territory.

1.15 "**Disclosing Party**" shall have the meaning set forth in Article 8.1(a).

1.16 "**Effective Date**" shall have the meaning set forth in the introduction in this Agreement.

1.17 "**Field**" means all uses and all indications in humans.

1.18 "**Governmental Authority**" means any court, commission, authority, department, ministry, official or other instrumentality of, or being vested with public authority under any law of, any country, state or local authority or any political subdivision thereof, or any association of countries.

1.19 "**Indemnifying Party**" shall have the meaning set forth in Article 10.3.

1.20 "**Indemnitee**" shall have the meaning set forth in Article 10.3.

1.21 "**Know-How**" means (a) any proprietary scientific or technical information, results and data of any type whatsoever, in any tangible or intangible form whatsoever, including databases, safety information, practices, methods, techniques, specifications, formulations, formulae, knowledge, know-how, skill, experience, test data including pharmacological, medicinal

chemistry, biological, chemical, biochemical, toxicological, pre-clinical and clinical test data, analytical and quality control data, stability data, studies and procedures, and manufacturing process and development information, results and data and (b) any proprietary biological, chemical materials, including any Materials.

1.22 "**Licensee**" means a Third Party that is granted a license under the rights transferred to a Party in accordance with this Agreement.

1.23 "**Major Markets**" means the following countries: [***].

1.24 "**Materials**" means reference and starting materials including the Covered Compounds and the active pharmaceutical ingredient (API) of the Covered Product or other materials as may be defined by the Parties.

1.25 "**NDA**" means with respect to a Covered Product in a country or regulatory jurisdiction, an application to obtain Regulatory Approval which approves selling and/or marketing such Covered Product in such country or regulatory jurisdiction.

1.26 "**NDA Approval**" means Regulatory Approval of an NDA for a Covered Product in any country or regulatory jurisdiction.

1.27 "**Patent(s)**" means (a) all patents and patent applications in any country or supranational jurisdiction and (b) any provisionals, substitutions, divisions, continuations, continuations in part, reissues, renewals, registrations, confirmations, reexaminations, extensions, supplementary protection certificates and the like, of any such patents or patent applications.

1.28 "**Patent Prosecution**" means the responsibility and authority for (a) preparing, filing and prosecuting applications (of all types) for any Patent, (b) paying, filing and maintenance fees relating to any Patent, (c) managing any interference, opposition, re-issue, reexamination, revocation, nullification, or cancellation proceeding relating to the foregoing, (d) deciding to abandon Patent(s), (e) listing in regulatory publications (as applicable), (f) patent term extension, and (g) settling any interference, opposition, revocation, nullification or cancellation proceeding.

1.29 Phase II Clinical Study" means a preliminary efficacy and safety or dose-ranging human clinical trial of a Covered Product in the target patient population, as defined in 21 C.F.R. § 312.21(b), as may be amended from time to time, or any analogous clinical trial described or defined in Applicable Laws and guidelines in the Territory.

1.30 "**Phase III Clinical Study**" means a human clinical trial designed as a pivotal study to confirm, with statistical significance, the efficacy and safety of a Covered Product with respect to a particular indication, which trial is performed for purposes of filing an NDA or similar application to obtain Regulatory Approval for such Covered Product in any country or regulatory jurisdiction, as defined in 21 C.F.R. § 312.21(c), as may be amended from time to time, or any analogous clinical trial described or defined in Applicable Laws and guidelines in the Territory.

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1.31 "**Receiving Party**" shall have the meaning set forth in Article 8.1(a).

1.32 "**Regulatory Approval**" means, with respect to the Covered Product in a country in the Territory, all approvals from the necessary Governmental Authority or Regulatory Authority to manufacture, import, market and sell such Covered Product in such country in the Territory (including but not limited to, as applicable, a Manufacturing Authorization and all applicable pricing and reimbursement approvals required to market and sell such Covered Product in such country in the Territory).

1.33 "**Regulatory Authority**" means the applicable medical or drug body or any applicable Governmental Authority involved in granting approvals for the conduct of clinical trials or the importing, manufacturing, marketing, selling, reimbursement or pricing of a Covered Product in a country in the Territory.

1.34 "**Term**" shall have the meaning set forth in Article 12.1.

1.35 "**Territory**" means all countries of the world.

1.36 "**Third Party**" means an entity other than (a) Terns and its Affiliates and (b) Vintagence and its Affiliates.

1.37 "**U.S. Dollars**" or "**US$**" means United States dollars, the lawful currency of the United States.

1.38 "**Vintagence Know-How**" means any Know-How Controlled by Vintagence and/or its Affiliates as of the Effective Date or during the Term, which may be necessary or useful in connection with the research, development, manufacturing, use or commercialization of Covered Compounds and Covered Products, including the Know-How described in Exhibit B.

1.39 "**Vintagence Patents**" means any Patents in the Territory Controlled by Vintagence and/or its Affiliates as of the Effective Date or during the Term, which claim or otherwise cover the composition of matter, manufacture, or use of Covered Compounds and Covered Products, including the patents and/or patent applications set forth in Exhibit A (and any Patents resulting or derived therefrom in any country or supranational jurisdiction in the Territory).

1.40 "**Vintagence Technology**" means the Vintagence Know-How and Vintagence Patents.

1.41 "**Withholding Party**" shall have the meaning set forth in Article 6.3.

2. DEVELOPMENT; TECHNOLOGY TRANSFER.

2.1 Development Overview.

(a) Responsibility. Terns shall have sole and full responsibility, authority, and control for and over all aspects of the Development of the Covered Product in the Territory at its cost, including all scientific and business decisions relating thereto.

2.2 Conduct of Development.

(a) Development Diligence. Terns shall use Commercially Reasonable Efforts to Develop the Covered Product in the Field.

(b) Development Data. Terns will own all data generated in connection with its Development activities in relation to the Covered Product.

(c) Regulatory Approvals. Terns or its designee shall own any and all Regulatory Approvals for the Covered Products.

2.3 Rights to Engage Licensees, Subcontractors and Affiliates. Terns shall have the right to license its rights hereunder to and/or engage in connection with the Development, Manufacture and/or Commercialization of Covered Compound(s) and Covered Product(s) (a) any of its Affiliates and/or or (b) licensees or contractors. Notwithstanding the foregoing, Terns shall be obligated to pay Vintagence under this Agreement as set forth in Section 6.1, regardless of whether Terns sublicense its rights or not.

2.4 Technology Transfer. Within [***] of the Effective Date, the Parties will coordinate and agree to a technology transfer plan for Vintagence to provide and transfer to Terns the Vintagence Know-How (which will include Materials) as set forth and was not previously provided to Terns which may be updated or amended by the mutual agreement by the Parties from time to time as needed.

3. COMMERCIALIZATION.

3.1 Commercialization Overview. Terns shall have sole and full responsibility, authority, and control for and over all aspects of the Commercialization of the Covered Product in the Territory at its cost, including all scientific and business decisions relating thereto. Upon achievement of Regulatory Approval in a Major Market, Terns shall use Commercially Reasonable Efforts to Commercialize the Covered Product in the Field in such Major Market, whether on its own or through one or more Licensees.

3.2 Terns shall have sole and full responsibility, authority, and control for and over all aspects of the Commercialization of the Covered Product in the Territory at its cost, [***]. Terns shall use Commercially Reasonable Efforts to Commercialize the Covered Product in the Field in the Major Markets, including (i) carrying out Commercially Reasonable Efforts to achieve a First Commercial Sale of at least [***] in [***] the Major Markets in the Territory within [***] following execution of this Agreement and (ii) using commercial reasonable efforts to conduct and fund all activities to fulfill its Commercialization plans with respect to such Covered Product in [***] the Major Markets in the Territory.

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3.3 Compliance with Applicable Laws. Each of the Parties shall, and shall cause their respective Affiliates to, conduct all activities under this Agreement in such a manner as to comply in all material respects with all Applicable Laws.

4. REGULATORY.

4.1 Terns' Responsibilities. Terns will be responsible for all regulatory activities, at its cost, leading up to and including the obtaining of the Regulatory Approvals for **the Covered Product** from the Governmental Authority or Regulatory Authority on a country-by-country basis, whether on its own or through Licensees. Terns or its designee shall make, hold and own all Regulatory Filings and Regulatory Approvals. Terns shall only be required to apply for Regulatory Approval in those countries that in its sole discretion are commercially viable.

4.2 Regulatory Obligations and Cost. Terns (and/or, if applicable, its Licensees) shall be responsible for the regulatory strategy, including strategy for filings and label content. Terns shall be solely responsible for all regulatory activities in connection with seeking Regulatory Approvals in the Territory, including communicating and preparing and filing all reports with the Regulatory Authorities.

5. COMPETING PRODUCTS.

5.1 During the Term of this Agreement, Vintagence and its Affiliates shall not Develop, Manufacture, Commercialize or otherwise exploit in any country in the Territory, whether on its (or their) own or in collaboration with Third Parties, any compound covered by Patent(s). The foregoing shall not be construed to prevent Vintagence and its Affiliates from Developing, Manufacturing or Commercializing, or otherwise exploiting any THR-ß agonist that is not covered by the Patents ("**Competing Product**"), subject to Section 5.2.

5.2 Vintagence hereby grants to Terns a right of first negotiation to obtain a license or assignment to exclusively Develop, Manufacture, Commercialize or otherwise expoit any Competing Product worldwide. Vintagence will promptly notify Terns in writing when Vintagence decides to solicit proposals or begin discussions with respect to any exploitation of a Competing Product, which notice must describe the Competing Product in detail and provide all other information that may be material to Terns' decision to exercise its right of first negotiation. Upon receipt of this notice from Vintagence, Terns will have the right, but not the obligation, to enter into good faith discussions with Vintagence to obtain the right to exclusively Develop, Manufacture, Commercialize or otherwise exploit such Competing Product worldwide. Terns may exercise this right by providing Vintagence with written notice within [***] of receiving Vintagence's notice. Vintagence will not solicit proposals or begin discussions with any Third Party until Terns' right expires. If Terns exercises its right, Vintagence will negotiate exclusively with Terns on terms that are consistent with those contained in this Agreement. If Terns does not exercise its right or, if after negotiating in good faith for [***], Terns and Vintagence have not agreed on such terms, Vintagence may negotiate with any Third Party, provided that before Vintagence enters into an agreement with a Third Party with respect to such Competing Product,

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Vintagence will promptly provide to Terns a written notice ("**Notice**") which will include all material terms of the proposed transaction. The Notice will also be accompanied by a copy of a letter of intent or similar document summarizing the terms of such transaction. Terns will have the right, but not the obligation, to enter into a definitive agreement with Vintagence pursuant to the material terms of the proposed transaction described in the Notice. Terns will have [***] following its receipt of the Notice ("**Offer Period**") to exercise this right by providing written notice to Vintagence. Upon the expiration of the Offer Period without Terns exercising this right, Vintagence will be free to execute the transaction under the terms described in the Notice. If (a) Vintagence receives a bona fide offer to enter into a transaction for the Competing Product with different terms, or (b) the transaction described in the Notice is not executed within [***] after the end of the Offer Period, Vintagence will be required to comply with terms of this Section 5.2 again.

6. FINANCIAL TERMS.

6.1 Payments to Vintagence.

(a) Upfront Payment. In partial consideration for the rights granted to Terns under this Agreement, Terns shall pay Vintagence CNY5,000,000 within [***] following execution of this Agreement.

(b) Covered Product Development Milestones. In partial consideration for the rights granted to Terns under this Agreement, Terns shall pay Vintagence the following Development milestones based upon events described in the below table for the Covered Product Developed by Terns under this Agreement to achieve each such milestone. Further, each clinical study milestone will only be paid once upon the first time each event is achieved by any Covered Product even if any of the phases are later restarted or entered by a replacement or subsequent Covered Product. Also, in the event Terns terminates Development of a Covered Product (i.e., a 1st generation Covered Product) and Develops a replacement Covered Product (i.e., a 2nd generation Covered Product), any milestones paid for the Development of the terminated Covered Product shall be credited to the replacement Covered Product, such that Terns shall not be required to pay any milestones for the replacement Covered Product that have already been paid for the terminated Covered Product. Notwithstanding anything to the contrary under this Agreement, the maximum amount that Terns may be obligated to pay Vintagence under this Agreement (including the upfront payment set forth in Section 6.1(a)) is CNY 210,000,000.00.

[***] Development Milestones for the First Covered Product

[***]	CNY[***]
[***]	CNY[***]
[***]	CNY[***]
[***]	CNY[***]
[***]	CNY[***]
[***]	CNY[***]
[***]	CNY[***]
[***]	CNY[***]

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For purposes of the table set forth above:

[***]

(c) Payment. Terns will pay Vintagence the above milestones by the later of [***] after the documented event has been achieved.

6.2 Currency. Except as otherwise provided in this Agreement, all payments to be made by one Party to the other under this Agreement shall be made in China Currency (CNY) by bank wire transfer from such Party's bank account in immediately available funds to the receiving Party's bank account designated in writing by the Party receiving the payment.

6.3 Tax Withholding. If any payments required to be made by a Party under this Agreement are or become subject to withholding taxes (including any value added tax) under Applicable Laws of any state, federal, provincial or foreign government, such Party shall be authorized to withhold such taxes as are required under Applicable Law, pay such taxes to the appropriate Governmental Authority, deduct them from such payments, and remit the balance due to the other Party net of such taxes. The Party paying the taxes to the Governmental Authority shall secure and deliver to the other Party an official receipt for taxes paid. In the event that the governing tax authority retroactively determines that a payment pursuant to this Agreement should have been subject to withholding (or to additional withholding) for taxes, and a Party (the "**Withholding Party**") remits such taxes to the tax authority, the Withholding Party will invoice the other Party for such amount, and the other Party will pay such amount within [***] of the receipt of such invoice.

6.4 Tax Administration. The Parties agree to fully cooperate with each other to enable each Party to more accurately determine its own tax liability and to minimize such liability to the extent legally permissible and administratively reasonable. Each Party shall provide and make available to the other Party any exemption certificates, resale certificates, or other required tax forms reasonably requested by the other Party to support the provisions of this Agreement.

7. ASSIGNMENT.

7.1 Vintagence hereby assigns and agrees to assign to Terns any and all right, title and interest in Territory in and to the Vintagence Technology. Vintagence further agrees to timely execute for all Vintagence Patents a patent assignment substantially in the form provided by Terns, and provide to Terns for recordation patent assignments demonstrating transfer of Vintagence Patents along the entire chain of title up to Vintagence.

8. CONFIDENTIALITY; PUBLICATION.

8.1 Nondisclosure Obligation.

(a) Except in the case of Confidential Information of a Party that has been identified in writing by such Party as no longer confidential, the obligation contained in this

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Article 8.1 with respect to such Confidential Information shall be perpetual, the Party receiving the Confidential Information of the other Party (such receiving Party, the "**Receiving Party**") shall keep confidential and not publish, make available or otherwise disclose any Confidential Information to any Third Party, without the express prior written consent of the Party that disclosed such Confidential Information (the "**Disclosing Party**"); provided however, the Receiving Party may disclose the Confidential Information to those of its Affiliates, officers, directors, employees, agents, consultants and/or independent contractors (including Licensees) of such Receiving Party who has to know the Confidential Information in connection with this Agreement and is subject confidentiality and non-use obligations, which shall be as same as the obligation of Receiving Party, with respect to such Confidential Information. The Receiving Party shall exercise at a minimum the same degree of care it would exercise to protect its own confidential information (and in no event less than a reasonable standard of care) to keep confidential the Confidential Information. The Receiving Party shall use the Confidential Information solely in connection with the purposes of this Agreement. Notwithstanding the foregoing, the Vintagence Know-How shall be deemed as Confidential Information, and Vintagence shall not (without Terns' prior written consent in each case) disclose to any Third Party any Vintagence Know-How or use such Vintagence Know-How other than to perform its obligations under this Agreement for the benefit of Terns.

(b) It shall not be considered a breach of this Agreement if the Receiving Party discloses Confidential Information in order to comply with a lawfully issued court or with a requirement of Applicable Law; provided that: (i) the Receiving Party gives prompt written notice of such disclosure requirement to the Disclosing Party and cooperates with Disclosing Party's efforts to oppose such disclosure or obtain a protective order for such Confidential Information, and (ii) if such disclosure requirement is not quashed or a protective order is not obtained, the Receiving Party shall only disclose those portions of the Confidential Information that it is legally required to disclose and shall make a reasonable effort to obtain confidential treatment for the disclosed Confidential Information. Notwithstanding the foregoing provisions of Article 8.1(a), either Party may disclose Confidential Information of the other Party if such Party is required to make such disclosure by Applicable Laws, in response to rules or guidance of the United States Internal Revenue Service or other taxing authority, or in other legal processes, including by the rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or other securities trading institution and shall disclose only such Confidential Information of such other Party as is required to be disclosed.

8.2 Publicity; Use of Names.

(a) Confidential Terms. Each of the Parties agrees not to disclose to any Third Party the terms and conditions of this Agreement without the prior approval of the other Party, except to advisors (including consultants, financial advisors, attorneys and accountants), potential and existing investors and acquirers on a need to know basis, in each case under circumstances that reasonably protect the confidentiality thereof, or to the extent necessary to comply with the terms of agreements with Third Parties, or to the extent required by Applicable Laws, including securities laws. Notwithstanding the foregoing, Terns may record in any national or supranational jurisdiction in the Territory any assignments for patent rights provided hereunder and register this Agreement pursuant to Applicable Law, and the Parties must agree upon the initial press release(s)

to announce the execution of this Agreement; thereafter, Vintagence and Terns may each disclose to Third Parties the information contained in such press release(s) without the need for further approval by the other. Furthermore, for purposes of clarity, notwithstanding anything to the contrary in this Agreement, either Party may disclose Confidential Information of the other Party if such Party is required to make such disclosure by Applicable Laws, including, in response to rules or guidance of the United States Internal Revenue Service or other taxing authority, or in other legal processes, including by the rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or other securities trading institution and shall disclose only such Confidential Information of such other Party as is required to be disclosed.

9. REPRESENTATIONS, WARRANTIES, AND COVENANTS.

9.1 Representations, Warranties, and Covenants of Vintagence. Vintagence represents, warrants, and covenants to Terns that as of the Effective Date:

(a) it has the full right, power and authority to enter into this Agreement and to assign to Terns the Vintagence Technology, and the fulfillment of its obligations and performance of its activities hereunder do not materially conflict with, violate, or breach or constitute a default under any material contractual obligation or court or administrative order by which Vintagence is bound;

(b) There are no legal claims, judgments or settlements against or owed by Vintagence or pending legal claims or litigation, in each case relating to the Covered Product or Vintagence Patents.

(c) There are no legal claims, judgments or settlements against or owed by Vintagence or pending legal claims or litigation, in each case relating to the Vintagence Patents;

(d) all necessary consents, approvals, certificates, registrations and authorizations of all government authorities and other persons required to be obtained by Vintagence as of and after the Effective Date in connection with the execution, delivery and performance of this Agreement have been obtained;

(e) The Vintagence Technology is solely owned by Vintagence, free of any liens, encumbrances or other Third-Party rights; and

(f) Vintagence and its Affiliates shall not assign, grant any security interest in, or otherwise encumber any item of the Vintagence Technology.

9.2 Representations, Warranties, and Covenants of Terns. Terns represents, warrants, and covenants to Vintagence that as of the Effective Date:

(a) it has the full right, power and authority to enter into this Agreement and the fulfillment of its obligations and performance of its activities hereunder do not materially conflict with, violate, or breach or constitute a default under any material contractual obligation or court or administrative order by which Terns is bound;

(b) all necessary consents, approvals and authorizations of all government authorities and other persons required to be obtained by Terns as of the Effective Date in connection with the execution, delivery and performance of this Agreement have been obtained;

(c) it is not, and will not be or become, a Party to any agreement or contractual obligation with a Third Party that conflicts with or is inconsistent with Terns' rights and obligations under this Agreement.

9.3 No Other Representations or Warranties. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, ARE MADE OR GIVEN BY OR ON BEHALF OF A PARTY. ALL REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

10. INDEMNIFICATION.

10.1 By Terns. Terns agrees to indemnify and hold harmless Vintagence, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "**Vintagence Indemnitee(s)**") from and against all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) incurred in connection with any claims, demands, actions or other proceedings by any Third Party (individually and collectively, "**Losses**") first arising after the Effective Date to the extent arising from (a) Manufacturing, Development and Commercialization of the Covered Product by Terns, its Affiliates and/or Licensees, (b) the negligence, illegal conduct or willful misconduct of Terns, or (c) Terns' breach of any of its representations or warranties made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) through (c), except to the extent such Losses arise out of an Vintagence Indemnitee's negligence, illegal conduct or willful misconduct, or breach of this Agreement.

10.2 By Vintagence. Vintagence agrees to indemnify and hold harmless Terns, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "**Terns Indemnitee(s)**") from and against all Losses to the extent arising from (a) the negligence, illegal conduct or willful misconduct of Vintagence, or (b) Vintagence's breach of any of its representations or warranties made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) and (b), except to the extent such Losses arise out of any of a Terns Indemnitee's negligence, illegal conduct or willful misconduct, or breach of this Agreement.

10.3 Defined Indemnification Terms. Either of the Terns Indemnitee or the Vintagence Indemnitee shall be an "**Indemnitee**" for the purpose of this Article 10, and the Party that is obligated to indemnify the Indemnitee under Article 10.1 or Article 10.2 shall be the "**Indemnifying Party**".

10.4 Defense. If any such claims or actions are made, the Indemnitee shall be defended at the Indemnifying Party's sole expense by counsel selected by the Indemnifying Party, provided that the Indemnitee may, at its own expense, also be represented by counsel of its own choosing. The Indemnifying Party shall have the sole right to control the defense of any such claim or action, subject to the terms of this Article 10.

10.5 Settlement. Subject to Article 10.7 of this Agreement, the Indemnifying Party may settle any such claim, demand, action or other proceeding or otherwise consent to an adverse judgment (a) with prior written notice to the Indemnitee but without the consent of the Indemnitee where the only liability to the Indemnitee is the payment of money and the Indemnifying Party makes such payment, or (b) in all other cases, only with the prior written consent of the Indemnitee, such consent not to be unreasonably withheld or delayed.

10.6 Notice. The Indemnitee shall notify the Indemnifying Party promptly of any claim, demand, action or other proceeding under Article 10.1 or Article 10.2 and shall reasonably cooperate with all reasonable requests of the Indemnifying Party with respect thereto.

10.7 Permission by Indemnifying Party. The Indemnitee may not settle any such claim, demand, action or other proceeding or otherwise consent to an adverse judgment in any such action or other proceeding or make any admission as to liability or fault without the express written permission of the Indemnifying Party.

10.8 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS ARTICLE 10.8 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER ARTICLE 10, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF CONFIDENTIALITY OBLIGATIONS IN ARTICLE 8.

11. INTELLECTUAL PROPERTY.

11.1 Patent Filing, Prosecution and Maintenance. Terns shall have sole responsibility and decision-making authority for all Patent Prosecution actions relating to Vintagence Patents at Terns' expense.

11.2 Abandonment of Patent or Patent Prosecution. Terns may in its sole discretion elect to discontinue Patent Prosecution in any country on a Patent-by-Patent as provided for under Section 11.1 above. Terns shall give prompt notice to Vintagence if Terns declines to pay costs for the filing, prosecution or maintenance of a Vintagence Patent in any country of the Territory, and in such case, Vintagence shall have the right to file, prosecute or maintain such Vintagence Patent at its own expense. If Vintagence decides to take over Patent Prosecution of such Vintagence Patent, then Terns shall promptly deliver to Vintagence copies of all necessary files related to such Vintagence Patent with respect to which responsibility has been transferred and shall take all actions and execute all documents reasonably necessary for Vintagence to assume such responsibility and shall assign such Vintagence Patents to Vintagence. As of the date of such notice

of Terns' assignment or return to Vintagence, Terns shall have no further liability to Vintagence for such Vintagence Patent aside from cooperating in the exchange of documents related to such Vintagence Patent.

11.3 Patent Prosecution Cooperation. With respect to all Patent Prosecution Vintagence shall:

(a) execute any instruments to document their respective ownership consistent with this Agreement as reasonably requested by Terns;

(b) make its employees, agents and consultants reasonably available to Terns (or its authorized attorneys, agents or representatives), to the extent reasonably necessary to enable Terns to undertake its Patent Prosecution responsibilities;

(c) cooperate, if requested by Terns, with Terns in gaining Patent term extensions; and

(d) further cooperate, if requested by Terns, with Terns in registering this Agreement with one or more patent office(s) in the Territory.

11.4 Enforcement.

(a) Notice. Each Party shall promptly provide, but in no event later than [***], to the other with written notice reasonably detailing any known or alleged infringement of the Vintagence Patents and/or Vintagence Know-How.

(b) Enforcement of Intellectual Property Rights.

(i) Terns shall have the first right (but shall not be obligated) to bring and control an action to enforce the Vintagence Patents and/or Vintagence Know-How against any Third Party believed to be infringing such Patent or misappropriating or otherwise violating such Vintagence Know-How in the Territory, at its cost.

(ii) If Terns does not take any steps to abate such infringement or misappropriation of the Vintagence Patent or Vintagence Know-How within [***] from the day on which it first became aware of such infringement or misappropriation, then Vintagence shall have the second right (but shall not be obligated) to take all actions reasonably necessary to abate such infringement or misappropriation.

(iii) All amounts recovered from enforcement of the Vintagence Patents and/or Vintagence Technology shall be retained by Terns if Terns is the enforcing Party. In the event Vintagence is the enforcing Party in accordance with Section 11.4(b)(ii), then such amounts shall be first used to reimburse Vintagence's costs and expenses incurred in connection with such action, and any remainder of such recovery shall [***].

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(c) Cooperation in Enforcement Proceedings. For any action by a Party pursuant to sub-article (b) above, in the event that such Party is unable to initiate or prosecute such action solely in its own name, the other Party will join such action voluntarily and will execute all documents necessary for such Party to initiate, prosecute and maintain such action. If either Terns or Vintagence initiates an enforcement action pursuant to Article 11.4(b), then the other Party shall cooperate to the extent reasonably necessary and at the [***]. Upon the reasonable request of the Party instituting any such action, such other Party shall join the suit and can be represented in any such legal proceedings using counsel of its own choice. [***].

12. TERMS AND TERMINATION.

12.1 Term. This Agreement shall be effective as of the Effective and shall continue in effect on a country-by-country basis until the all milestone payments are made (the "**Term**").

12.2 Unilateral Termination by Terns; Abandonment.

(a) Terns shall have the right to terminate this Agreement in its entirety or on a Covered Product-by-Covered Product and country-by-country basis, in its sole discretion by giving sixty (60) days advance written notice to Vintagence.

(b) If Terns elects to abandon in their entirety the Development of the Covered Products, Terns shall notify Vintagence of such election, in which case the Agreement shall be deemed terminated sixty (60) days following Vintagence's receipt of such notice.

12.3 Termination for Breach. This Agreement may be terminated in its entirety at any time during the Term upon written notice by either Party if the other Party materially breaches this Agreement and, if such breach is curable, such breach has not been cured within ninety (90) days after notice requesting cure of such breach; provided, however, that if such breach is not reasonably subject to cure within ninety (90) days, subject to reasonable efforts being undertaken by the breaching Party throughout such 90-day period and thereafter to cure such breach as promptly as possible, this Agreement may not be terminated pursuant to this Article 12.3 unless such breach is not cured within one hundred eighty (180) days following notice requesting cure of such breach. Notwithstanding the foregoing, in the event the allegedly breaching Party disputes in good faith the existing of such breach, and such dispute in the process of dispute resolution in accordance with Article 13, the foregoing cure period shall be tolled pending the outcome of the resolution process after which the time period shall again begin to run.

12.4 Termination for Insolvency.

(a) Each Party shall have the right to terminate this Agreement upon delivery of written notice to the other Party in the event that (i) such other Party files in any court or agency pursuant to any statute or regulation of any jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of such other Party or its assets, (ii) such other Party is served with an

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involuntary petition against it in any insolvency proceeding and such involuntary petition has not been stayed or dismissed within ninety (90) days of its filing, or (iii) such other Party makes an assignment of substantially all of its assets for the benefit of its creditors.

12.5 Effect of Termination.

(a) General. Upon the termination of this Agreement in its entirety under Section 12.2 or by Vintagence for Terns' material breach under Section 12.3, [***]. Termination of this Agreement for any reason shall not release either Party of any obligation or liability which, at the time of such termination, has already accrued to the other Party or which is attributable to a period prior to such termination.

(b) Return of Confidential Information. Upon expiration or other termination of this Agreement, the Receiving Party agrees to remove all copies and instances of the Disclosing Party's Confidential Information, including any data provided by the Disclosing Party hereunder, from the Receiving Party's systems and files, and at the Disclosing Party's discretion either promptly return all of the Disclosing Party's Confidential Information or destroy all of the Disclosing Party's Confidential Information in its possession, and certify to the same. In addition, Terns shall return to Vintagence any Vintagence Know-How that is confidential and proprietary at the time of such expiration or termination. Notwithstanding the foregoing, neither Party shall be required to information retained such Party's automatic electronic back-ups, subject to such Party's compliance with the obligations of confidentiality and non-use under this Agreement for so long as such back-ups are retained.

(c) Notwithstanding anything to the contrary herein, upon termination of this Agreement, any licenses granted by Terns or any Affiliate of Terns prior to such termination under this Agreement shall, [***].

(d) The Parties acknowledge and agree that they intend for the Vintagence Technology to be assigned to Terns under Section 7.1. Notwithstanding the foregoing, if for any reason the Vintagence Technology were deemed to have been licensed to Terns, then all rights and licenses so granted under or pursuant to this Agreement will be deemed to be for purposes of Section 365(n) of Title 11, United States Code (the "**Bankruptcy Code**") licenses or rights to "intellectual property" (as defined in Section 101(35 A) of Bankruptcy Code) and any other similar applicable law or regulation. Vintagence hereby acknowledges that the Vintagence Know-How that relates to such intellectual property, constitute "embodiments" of such intellectual property pursuant to Section 365(n) of the Bankruptcy Code. Vintagence agrees not to interfere with Terns' exercise, pursuant to Section 365(n) of the Bankruptcy Code or other similar applicable law or regulation, of rights and licenses to intellectual property licensed hereunder and embodiments thereof, and further agrees to take any and all action requested by the other Party to ensure that the foregoing provisions may be fully effectuated under Applicable Laws, and, if requested by Terns, agrees to procure that any past, existing or future creditor of Vintagence irrevocably waives in writing any and all rights that such creditor may have to the intellectual property licensed hereunder and embodiments thereof.

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

13. DISPUTE RESOLUTION.

13.1 Disputes. The Parties recognize that disputes as to certain matters may from time to time arise which relate to either Party's rights or obligations hereunder. It is the objective of the Parties to establish procedures to facilitate the resolution of such disputes in an expedient manner by mutual cooperation; however, should a dispute arise, the Parties agree to follow the arbitration procedures set forth in Article 13.2.

13.2 Arbitration Procedures. In the event of a dispute, that cannot be resolved through good faith negotiations as set forth above, the dispute shall be referred to and finally resolved by arbitration in the following manner:

(a) The dispute shall be settled by arbitration in California, USA under the Rules of Arbitration of the International Chamber of Commerce in force when the notice of arbitration is submitted in accordance with the Rules. There shall be [***] arbitrators appointed in the following manner: each Party shall nominate [***] for confirmation as provided in the Rules and following their confirmation, the [***] arbitrator shall be appointed by the International Court of Arbitration of the International Chamber of Commerce; provided, however, that such [***] arbitrator shall have substantive expertise in the pharmaceutical industry.

(b) The arbitral proceedings shall be conducted in English. To the extent that the Rules are in conflict with the provisions of this Article 13.2, including the provisions concerning the appointment of the arbitrator, the provisions of this Article 13.2 shall prevail.

(c) Each Party to the arbitration shall cooperate with each other Party to the arbitration in making full disclosure of and providing complete access to all information and documents requested by such other Party in connection with such arbitral proceedings, subject only to any confidentiality obligations binding on such Party.

(d) The award of the arbitral tribunal shall be final and binding upon the Parties a party thereto, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award.

(e) Any Party that is a party to the dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

14. MISCELLANEOUS.

14.1 Assignment. This Agreement and its rights, privileges, and obligations may not be assigned or otherwise transferred by either Party without the prior written consent of the other Party; provided that no consent shall be required for Terns to assign this Agreement in connection with a merger, consolidation, or sale of substantially all Terns' assets related to this Agreement.

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14.2 Severability. If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the Parties. The Parties shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

14.3 Applicable Law and Litigation. All questions of inventorship will be determined in accordance with U.S. patent laws. In respect to all other Patent issues, the rights of the Parties will be governed by the laws of the jurisdiction in which the applicable Patent is filed or granted. In all other respects, this Agreement shall be governed by and construed in accordance with the laws of California, USA without reference to any rules of conflict of laws.

14.4 Entire Agreement; Amendments. This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, with regard to the subject matter hereof (including the rights transferred hereunder) are superseded by the terms of this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representatives of both Parties hereto.

14.5 Waiver. The waiver by either Party of any right hereunder, or the failure of the other Party to perform, or a breach by the other Party, shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise.

14.6 Waiver of Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

14.7 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. Each Party shall be entitled to rely on the delivery of executed facsimile copies of counterpart execution pages of this Agreement and such facsimile copies shall be legally effective to create a valid and binding agreement among the Parties.

[signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

TERNS PHARMACEUTICALS, INC.

By: /s/ Weidong Zhong
Name: Weidong Zhong
Title: President and CEO

VINTAGENCE BIOTECHNOLOGY, LTD.

By: /s/ Ben Li
Name: Ben Li
Title: CEO

Schedule 1.9, Compound

[***]

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

Exhibit A, Vintagence Patents

Patent application [***].

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

Exhibit B, Materials/Vintagence Know-How to be Transferred

[***]

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

SUPPLEMENTAL AGREEMENT

[***]

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

Signature page to the Supplemental Agreement

[***]

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

Exhibit 10.16

CONFIDENTIAL

Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXCLUSIVE OPTION AND LICENSE AGREEMENT

This EXCLUSIVE OPTION AND LICENSE AGREEMENT (this "***Agreement***") is entered into as of July 27, 2020 (the "***Effective Date***"), by and among ***HANSOH (SHANGHAI) HEALTHTECH CO., LTD.***, a corporation incorporated under the laws of China having its principal place of business at Room 102, Block 1 No. 298 Xiangke Road, China (Shanghai) Pilot Free Trade Zone, China ("***Hansoh Healthtech***") and ***JIANGSU HANSOH PHARMACEUTICAL GROUP COMPANY LTD.***, a corporation incorporated under the laws of China having its principal place of business at No. 9 Dongjin Road, Huaguoshan Avenue, Lianyungang, Jiangsu, China ("***Jiangsu Hansoh***" and together with Hansoh Healthtech, "***Hansoh***"), and ***Terns Pharmaceutical, Inc.***, an exempted company organized and existing under the laws of the Cayman Islands and having a place of business at P.O. Box 613, Harbor Center, George Town, Grand Cayman KY1-1107, Cayman Islands ("***Terns***"), ***Terns, Inc.***, a corporation organized and existing under the laws of Delaware, U.S.A, having its principal place of business at 1065 E. Hillsdale Blvd. Suite 100, Foster City, CA 94404 ("***Terns Inc***") and ***CaspianTern LLC***, a limited liability company organized and existing under the laws of Delaware, U.S.A, having its mailing address at 1065 East Hillsdale, Suite 100, Foster City, CA 94404 ("***CaspianTern***"). Terns, Terns Inc and CaspianTern are collectively referred to as "Terns Group". Hansoh and CaspianTern are referred to individually as a "***Party***" and collectively as the "***Parties***."

RECITALS

WHEREAS, Hansoh is a biopharmaceutical company in the business of developing and commercializing therapeutic products;

WHEREAS, Terns Inc and CaspianTern are each a wholly-owned subsidiary of Terns, and the Terns Group collectively owns all legal rights and title to the Licensed Compound (as defined below) and the Licensed Technology (as defined below);

WHEREAS, pursuant to an Intangible Property License Agreement effective as August 19, 2019 by and between Terns Inc and Terns, Terns is the beneficial owner and exclusive, worldwide licensee of the Licensed Technology in all fields, and Terns Inc has legal title to the Licensed Patent Rights (as defined below) and controls Prosecution (as defined below) of the Licensed Patent Rights;

WHEREAS, pursuant to an Intangible Property License Agreement effective as June 16, 2020 by and between Terns and CaspianTern, CaspianTern is the exclusive, worldwide licensee of the Licensed Technology in the Field (as defined below); and

WHEREAS, Hansoh is interested in conducting preliminary studies on the Licensed Compound as described herein with an option to exclusively license the same for development and commercialization of Licensed Products (as defined below).

NOW, **THEREFORE**, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 "***Affiliate***" means, with respect to a Party, any current or future Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with that Party. For purposes of this definition, "control" means: (a) the possession, directly or indirectly, of the power to direct the management or policies of a Person, whether through ownership of voting securities, by contract or otherwise, or (b) the ownership, directly or indirectly, of more than fifty percent (50%) of the total voting securities of, or other evidences of ownership interest in, such Person. For clarity, once a Person ceases to be an Affiliate of a Party, then, without any further action, such Person shall cease to have any rights, including license and sublicense rights, under this Agreement by reason of being an Affiliate of such Party. Notwithstanding the above, in no event shall Lilly Asia Ventures or any of its affiliates be deemed an Affiliate of CaspianTern.

1.2 "***Adverse Event***" means any unwanted or harmful medical occurrence in a patient or subject who is administered any Licensed Product, whether or not considered related to any Licensed Product, including any undesirable sign (including abnormal laboratory findings of clinical concern).

1.3 "**Adverse Risk**" means any risk of a material adverse effect on the Exploitation of Licensed Compound or Licensed Products.

1.4 "***Applicable Law***" means, with respect to any Party or other Person, any federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, executive order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Party or Person.

1.5 "***Business Day***" means any day other than a Saturday, a Sunday or a day on which banks in New York, New York or in Shanghai, China are authorized or obligated by law or governmental order to close.

1.6 "***Calendar Quarter***" means each period of three (3) consecutive calendar months, ending March 31, June 30, September 30, and December 31.

1.7 "***Calendar Year*"** means the period of time beginning on January 1 and ending December 31, except for (a) the first year which shall begin on the Effective Date and end on December 31 and (b) any year in which this Agreement is terminated or expires prior to December 31, in which case the Calendar Year shall be from January 1 of that year to the date of expiration or termination.

1.8 ***"Change of Control"*** means with respect to a Party: (a) that a majority of the outstanding voting securities of such Party become beneficially owned directly or indirectly by any Third Party (or group of Third Parties acting in concert) that did not own a majority of the voting securities of such Party as of the Effective Date; (b) possession of the power to direct or cause the direction of the management and policies of such Party, whether through ownership of the outstanding voting securities, by contract or otherwise, becomes vested in one or more

individuals or entities that did not possess such power as of the Effective Date; (c) that such Party consolidates with or merges into another corporation or entity, or any corporation or entity consolidates with or merges into such Party, in either event pursuant to a transaction in which more than fifty percent (50%) of the total voting power of the securities outstanding of the surviving entity normally entitled to vote in elections of directors is not held by the individuals or entities holding at least fifty percent (50%) of the outstanding securities of such entity preceding such consolidation or merger; or (d) that such Party conveys or transfers all or substantially all of its assets or the assets to which the subject matter of this Agreement relates to any Third Party. In each case of (a), (b), (c) and (d), each Third Party, individual, entity, or corporation that is deemed to have gained control of the Party, are referenced below as "***Control Acquirer***."

1.9 "***CMC Information***" means Information related to the chemistry, manufacturing and controls of the Licensed Products, as specified by the FDA, NMPA and other applicable Regulatory Authorities.

1.10 "***Commercially Reasonable Efforts***" means, with respect to either Party's obligations under this Agreement, the carrying out of such obligations with a level of efforts and resources consistent with the commercially reasonable practices of a similarly situated company in the pharmaceutical industry for the active and diligent commercialization of a similarly situated branded pharmaceutical product as the Licensed Product at a similar stage of commercialization, taking into account efficacy, safety, patent and regulatory exclusivity, anticipated or approved labeling, present and future market potential, competitive market conditions, the profitability of the product in light of pricing and reimbursement issues, and all other relevant factors (but not taking in account any payment owed to CaspianTern under this Agreement or any other pharmaceutical product that Hansoh is then researching, developing or commercializing, alone or with one or more collaborators).

1.11 "***Control***" means (as an adjective or as a verb including conjugations and variations such as "***Controls***" "***Controlled***" or "***Controlling***") with respect to any Intellectual Property rights, the possession of (whether by ownership or license, other than pursuant to this Agreement) the right of a Party to grant access to, or a license or sublicense of or under, such items or rights as provided for herein without violating the terms of any agreement or other arrangement with any Third Party existing at the time such Party would be required hereunder to grant the other Party such access or license or sublicense or creating or increasing any payment obligation to a Third Party. Notwithstanding the foregoing, in the event a Party enters into a transaction or series of transaction with a Third Party acquiror that constitutes a Change of Control of such Party, in no event shall any Know-How or Patent Rights controlled by the Third Party acquiror (and/or its Affiliates) immediately prior to the consummation of such Change of Control or developed thereafter outside of the scope of this Agreement be deemed "Controlled" by the acquired Party (or such Party's other Affiliates) for purposes of this Section 1.11 or otherwise be included in any of the licenses or covenants granted or made under this Agreement by the acquired Party (or such Party's other Affiliates).

1.12 "***Cover***" means (as an adjective or as a verb including conjugations and variations such as "***Covered***," "***Coverage***" or "***Covering***"), as to a compound, formulation, product, process or machine and certain Intellectual Property, that, in the absence of a license granted under, or ownership of, such Intellectual Property, the making, using, selling, offering for sale or

importation of such product, process or machine would infringe or misappropriate such Intellectual Property or, as to a pending claim in a patent application included in such Intellectual Property, the making, using, selling, offering for sale or importation of such product, process or machine would infringe such Intellectual Property if such pending claim were to issue in an issued patent without modification. The determination of whether a compound, formulation, process, product, machine or other Intellectual Property is Covered by a particular claim shall be made on a [***] basis.

1.13 "*Dollars*" or "$" means the legal tender of the U.S.

1.14 "***Exploit***" **and *"Exploitation"*** mean to make, have made, import, use, have used, sell, offer for sale, have sold, reproduce, modify, publish, distribute, research, develop, commercialize, register, hold, keep (whether for disposal or otherwise), Manufacture, transport, distribute, promote, market, or otherwise dispose of.

1.15 "***FDA***" means the U.S. Food and Drug Administration or any successor entity.

1.16 "***Field***" means all prophylactic, palliative, therapeutic and/or diagnostic uses in connection with all human diseases and disorders (including development and research activities on animal models thereof) in the field of oncology, including all types of cancer.

1.17 "***First Commercial Sale***" means on a [***] basis, the first sale of a Licensed Product by a Selling Party following the receipt of all Regulatory Approval required for the commercial sale of such Licensed Product in such [***].

1.18 "***Generic Product***" means a product (a) whose active pharmaceutical ingredient is rated as equivalent to the Licensed Product being sold in a [***], (b) that obtained Regulatory Approval solely by means of establishing such equivalence to such Licensed Product, and (c) that is legally marketed in such [***] by an entity other than a Selling Party hereunder.

1.19 "***Governmental Authority***" means any transnational, or domestic or foreign federal, state or local, governmental authority, department, court, agency or official, including any political subdivision thereof.

1.20 "***IND***" means an Investigational New Drug application, or similar application to commence human clinical testing of a Licensed Product for use in the Field submitted to the FDA, or its foreign equivalent.

1.21 "***Intellectual Property (IP)***" means all rights in Patent Rights, Inventions, priority rights, copyrights, design rights, trade names, trademarks, service marks, trade secrets, Know-How, database rights, domain names and any and all other intellectual property rights (whether registered or unregistered) and all applications and rights to apply for any of them, anywhere in the world.

1.22 "***Invention***" means any new process, method, composition of matter, invention, discovery, development, article of manufacture, result, data, know-how, software, works of authorship, material, or information, whether or not patentable or copyrightable.

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

1.23 "***Know-How***" shall mean any and all proprietary information, data, materials, results, improvements, protocols, formulas, processes, methods, compositions of matter, articles of manufacture, formulations, discoveries, findings, know-how and trade secrets of any kind, including scientific, preclinical, clinical, regulatory, manufacturing, marketing, financial and commercial information or data and sequence information, in all cases whether patentable or not.

1.24 "***Licensed Compound***" means (a) the lead chemical compound discovered by Terns Group known as TRN-000632, intended to bind to BCR-ABL protein, the chemical structure of which is set forth in **Exhibit A**, and (b) any [***] thereof [***] for BCR-ABL tyrosine kinase activity inhibition, including those that [***] BCR-ABL, in each case that are Controlled by Terns Group as of the Effective Date, or become Controlled by Terns Group during the Term.

"Licensed Compounds" means more than one Licensed Compound or all Licensed Compounds, as applicable.

1.25 "***Licensed Know-How***" means all Know-How that is (a) Controlled by Terns Group as of the Effective Date as provided in **Exhibit A** or at any time during the Term and (b) related to the Licensed Compound and necessary or reasonably useful for the Exploitation of Licensed Products in the Field in the Territory.

1.26 "***Licensed Patent Rights***" means all Patent Rights in and to (a) the patents and patent applications listed in **Exhibit B** hereto, together with any and all current or future divisionals, continuations, continuations-in-part, provisionals, converted provisionals, and continued prosecution applications claiming priority to any of such listed patents or patent applications or to any application to which such listed patents or patent applications claim priority, and any and all patents that have issued or in the future issue from any of the foregoing, including utility models, petty patents and design patents and certificates of invention, and any and all adjustments, extensions or restorations by existing or future adjustment, extension or restoration mechanisms, including revalidations, reissues, re-examinations, term adjustments, and extensions (including any supplementary protection certificates and the like), of any thereof; and (b) any other Patent Rights Controlled by Terns Group during the Term Covering the Licensed Compound or otherwise necessary for the Exploitation of Licensed Products in the Field in the Territory; and (c) any and all foreign counterparts of any of the foregoing in any nation, jurisdiction, or patent authority in the Territory.

1.27 "***Licensed Product***" means any pharmaceutical product that (a) comprises a Licensed Compound as the sole active ingredient ("***Mono Product***"), or (b) comprises a Licensed Compound as the active ingredient in combination with one or more other active ingredients ("***Combination Product***").

1.28 "***Licensed Technology***" means either or both of the Licensed Patent Rights and the Licensed Know-How.

1.29 "***Manufacture***" means all operations involved in the manufacturing, filling, finishing, quality control testing (including in-process, release, and stability testing, if applicable), storage, releasing, and packaging of a Licensed Compound or Licensed Product, including oversight and management of vendors therefor.

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1.30 "***NDA***" means a New Drug Application or any other application to the appropriate Regulatory Authority for approval to market a Licensed Product.

1.31 "***Net Sales***" means the gross sales amount of Licensed Products invoiced or billed by a Selling Party for the sale or other commercial disposition of Licensed Products in the Territory during the Royalty Term applicable to the [***] of sale or disposition, less the following items listed to the extent reasonably, customary and actually taken or incurred with respect to such sale, in accordance with standard allocation procedures, allowance methodologies and accounting methods consistently applied:

(a) any and all credits or allowances for Licensed Product returns during such quarter, including, but not limited to, credits for returned, recalled, damaged, unsold, or short-dated Licensed Product, allowances granted or included in the invoice, discounts, customer program accruals (overbills, administrative fees, Third Party rebates, sales brokerage, and volume rebates), other adjustments and rebates, including but not limited to governmental rebates, charge backs, floor stock adjustments, and similar items that may be estimated in accordance with GAAP/IFRS;

(b) import, export, sales (including VAT or its equivalent) and excise taxes, customs duties, other consumption taxes, or other governmental charges to the extent actually included in gross sales; and

(c) costs of freight, insurance, packaging costs and other transportation charges incurred in shipping of the Licensed Product to Third Parties to the extent actually included in gross sales.

Sales among the Selling Party and its Affiliates or Sublicensees shall be excluded from the computation of Net Sales, except where such Affiliates or Sublicensees are end users, and sales from one Party or its Affiliate or Sublicensee to the other Party or its Affiliate or Sublicensee for use in development activities, in the further Manufacture of Licensed Products, or for resale shall be excluded from the computation of Net Sales; provided, however, in each case that any subsequent resale shall be included within Net Sales. In addition, the Selling Party may exclude from Net Sales a reasonable provision for uncollectible accounts, consistently applied across all product lines of the particular Party, until such amounts are actually collected. The computation of Net Sales shall not include Licensed Products provided for use in clinical trials or other research or development activities for the Licensed Products, or given as samples to promote the Licensed Products or for humanitarian or charitable purposes, in each case at or below nominal cost, provided that the Selling Party shall not use any such Licensed Products in connection with promotion of any other drug products.

For purposes of determining whether a given sale occurs during a computation period, a Licensed Product will be considered sold as of the date of [***].

No multiple payments on the same Net Sales shall be payable hereunder, regardless of whether the relevant Licensed Products are covered by more than one Valid Claim or otherwise.

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If a Licensed Product is a Combination Product consisting of at least one Licensed Compound and at least one active ingredient that is not a Licensed Compound ("***Unlicensed Compound***"), then for purposes of the calculation of Net Sales of such Licensed Product, such Net Sales, prior to the royalty calculations set forth below, first shall be multiplied by the fraction A/(A+B) (the "***Combination Product Fraction***"), where A is the most recent national tender price of the Mono Product for the Licensed Compound(s) in such Combination Product, and B is the most recent national tender price of the product comprising the Unlicensed Compound(s) as the sole active ingredient, provided that, notwithstanding the foregoing, at no point shall the Combination Product Fraction with respect to the Net Sales of any Licensed Product be less than [***], and it being understood that the amount resulting from such calculation shall be the "Net Sales" for the applicable Combination Product, which shall be determined on a [***] basis. In the case that national tender price of A and/or B cannot be reasonably determined, both Parties agree to, on a [***] and province-by-province basis, select the most recent provincial tender price of A and/or B, as applicable, to determine the Combination Product Fraction. If neither national nor provincial tender price is available for the Mono Product, then the Combination Product Fraction shall be (C-B)/C, where B is the most recent national tender price for the product comprising the Unlicensed Compound(s) as the sole active ingredient and C is the most recent national tender price for the Combination Product. In the case that national tender price of B and/or C cannot be reasonably determined, both Parties agree to, on a [***] and [***] basis, select the most recent provincial tender price of B and/or C, as applicable, to determine the Combination Product Fraction.

1.32 "***NMPA***" means the National Medical Product Administration of the People's Republic of China, formerly known as the China Food and Drug Administration, and local or provincial counterparts thereto, or any successor agency(ies) or authority thereto having substantially the same function.

1.33 "***Option Period***" means the period of time commencing on the Effective Date and ending on the earlier of (i) [***] after completion of the Option Period Studies, as determined by the JSC (as defined below), and receipt of a Study Report (as defined below) by CaspianTern, and (ii) [***] from the Effective Date.

1.34 "***Option Period Studies***" means the studies and development work as agreed in writing by both Parties, intended to enable the filing of clinical trial application/IND with NMPA for the Licensed Product and allow Hansoh to determine whether or not it will exercise the Option. Hansoh shall control the planning and execution of the Option Period Studies, which shall be provided to CaspianTern for review and comment, and Hansoh shall consider such comments in good faith and incorporate when appropriate.

1.35 ***"Option Period Study Results"*** means any and all Inventions, scientific or technical information, results, materials, and data, including safety, efficacy and CMC data, formulae procedures, final and preliminary protocols, techniques, and results (negative or positive) of experimentation and testing, that are first discovered, made, or developed directly in the course of conducting the Option Period Studies.

1.36 "***Patent Right(s)***" means any and all patents and patent applications (which for the purpose of this Agreement shall be deemed to include certificates of invention and applications for certificates of invention), including divisionals, continuations, continuations-in-part, reissues, renewals, substitutions, registrations, re-examinations, revalidations, extensions, supplementary protection certificates, pediatric exclusivity periods and the like of any such patents and patent applications, and foreign equivalents of the foregoing.

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1.37 "***Permitted Holder***" means any Third Party that satisfies any of the following conditions: (i) the average net income of such Third Party and its affiliates in the [***] immediately prior to the Change of Control of Terns or CaspianTern does not exceed [***] and such Third Party and its affiliates do not market any therapeutic products indicated for [***] in China, (ii) the average revenue of such Third Party and its affiliates in the [***] immediately prior to the Change of Control of Terns or CaspianTern exceeds ***], with no more than [***] of its revenue generated within China, and such Third Party and its affiliates do not market any therapeutic products indicated for [***] in China, or (iii) such Third Party is a venture capital fund or private equity fund.

1.38 "***Person***" means an individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, Governmental Authority or any other form of private, public, or governmental entity not specifically listed herein.

1.39 "***Phase II Clinical Trial***" shall mean a human clinical trial involving a Licensed Product, the principal purpose of which is a determination of safety and efficacy in the target patient population, which is prospectively designed to generate sufficient data that may permit commencement of pivotal clinical trials, or a similar clinical study prescribed by the Regulatory Authorities, from time to time, pursuant to Applicable Law or otherwise, including the trials referred to in 21 C.F.R. §312.21(b), as amended, or its foreign equivalent.

1.40 "***Phase III Clinical Trial***" shall mean a human clinical trial of a Licensed Product on a sufficient number of subjects in an indicated patient population that is designed to establish that a pharmaceutical product is safe and efficacious for its intended use, and to determine the benefit/risk relationship, warnings, precautions, and adverse reactions that are associated with such pharmaceutical product in the dosage range to be prescribed, which trial is intended to form a basis for obtaining drug approval of such Licensed Product, including the trials referred to in 21 C.F.R. §312.21(c), as amended, or its foreign equivalent.

1.41 "***Prosecute***" means to have primary responsibility for preparing, filing, prosecuting (including interference and opposition proceedings) and maintaining (including interferences, reissue, re-examination, post-grant reviews, inter-partes reviews, derivation proceedings and opposition proceedings), including discontinuing or abandoning Patent Rights.

1.42 **"*Regulatory Approval***" means with respect to a country, extra-national territory, province, state, or other regulatory jurisdiction, any and all approvals, licenses, registrations or authorizations of any Regulatory Authority necessary in order to Exploit a product in such country, state, province, or some or all of such extra-national territory or regulatory jurisdiction, which shall include any pricing and reimbursement approvals.

1.43 **"*Regulatory Authority***" means, with respect to a particular country, extra-national territory, province, state, or other regulatory jurisdiction, any applicable Governmental Authority involved in granting Regulatory Approval, including but not limited to the NMPA, and in each case including any successor thereto.

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1.44 "***Regulatory Materials***" means regulatory applications, submissions, dossiers, notifications, registrations, Regulatory Approvals and/or other filings made to or with, or other approvals granted by, a Regulatory Authority that are necessary or reasonably desirable in order to Exploit a Licensed Product in a particular country or regulatory jurisdiction, including INDs and NDAs.

1.45 "***Royalty Term***" means, with respect to a given Licensed Product sold or commercially distributed in a given [***], on a [***] basis, the time period commencing on the date of the First Commercial Sale of the Licensed Product in such [***] and ending on the latest of (i) [***] from such First Commercial Sale, (ii) the expiration of the last Valid Claim in such [***] Covering such Licensed Product or any of its marketed medical use, or (iii) the expiration of the last applicable period of effective regulatory-based exclusivity, if any, for such Licensed Product in such [***].

1.46 "***Selling Party***" means, as applicable, Hansoh, its Affiliate, its Sublicensee, or an Affiliate of a Sublicensee.

1.47 **"*Territory*"** means mainland China, Taiwan, Hong Kong, and Macau (each a [***]).

1.48 "***Third Party***" means a Person other than (a) Hansoh or any of its Affiliates or (b) CaspianTern or any of its Affiliates.

1.49 "***Valid Claim***" means (a) a claim of any pending patent application included in the Licensed Patent Rights, that has not been pending in excess of [***], and/or (b) a claim of an issued and unexpired patent included within the Licensed Patent Rights that which has not been held permanently revoked, unenforceable, or invalid by an unappealable (or unappealed within the time allowed for appeal) decision of a court or other Governmental Authority of competent jurisdiction, and which has not been dedicated to the public, abandoned, or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.

ARTICLE 2
OPTION AND OPTION PERIOD STUDIES

2.1 Upfront Payment. Within [***] following the Effective Date, Hansoh will pay One Million US Dollars ($1,000,000) to CaspianTern (the "***Upfront Payment***"), which amount shall be non-creditable and non-refundable; provided that, however, in the event Hansoh elects to not exercise the Option during the Option Period, CaspianTern shall refund the amount of the Upfront Payment that CaspianTern received from Hansoh after any and all applicable tax payments in accordance with Section 5.4 (the "***Refund Amount***") to Hansoh within six (6) months from the expiration or termination of the Option Period (the "***Refund Period***"). If CaspianTern does not pay the Refund Amount within such six (6) month period, such owed Refund Amount will be regarded as a debt owed by Terns Group to Hansoh, secured against such number of common shares as is equal to the Refund Amount divided by the share price of such shares issued by Terns in the latest bona fide equity financing round before the Refund

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Amount is due (the "***Pledged Stock***"). Interest on the Refund Amount shall be computed from the last day of the Refund Period at the [***] as defined under Section 1274(d) of the Internal Revenue Code, compounded annually and shall continue to accrue until paid. Interest shall be computed on the basis of a year of 365 days for the actual number of days elapsed. The entire amount of accrued but unpaid interest and all outstanding principal shall be due and payable on or before the close of business on the [***] of the last day of the Refund Period.

2.2 Transfer of Data and Information. Within [***] following CaspianTern's receipt of the Upfront Payment, Terns Group shall without charge deliver to Hansoh, all Licensed Know-How as set forth in **Exhibit A**; provided, however, that Terns Group shall not be required to transfer to Hansoh any Licensed Know-How relating solely to the formulation and/or Manufacture of Licensed Compounds or Licensed Product unless and until the Option is exercised by Hansoh. From time to time during the Option Period, or promptly upon Hansoh's reasonable request, Terns Group shall without charge transfer any additional Licensed Know-How in Terns Group's possession (other than Licensed Know-How solely related to the formulation and/or Manufacture of Licensed Compounds or Licensed Product) to the extent not previously delivered. However, transfer of data and information relating to Manufacture of Licensed Compounds prior to Option exercise may take place at the request of Terns Group, should Terns Group no longer wish to be obligated to supply Licensed Compounds to Hansoh during Option Period.

2.3 Option Period Supply. Subject to the terms and conditions of the Material Transfer Agreement dated November 13, 2019 by and between Hansoh and Terns, during the Option Period, Terns shall, upon Hansoh's written request, supply to Hansoh, or a designated Third-Party contract research organization mutually agreed upon by both Parties ("***CRO***"), such Licensed Compound in quantities, at costs, places and times, and in forms, as mutually agreed by the parties. Hansoh shall not, and shall cause any Affiliate, service providers, collaborators or Third Parties not to, use or transfer any Option Period Materials for any purpose other than to conduct the Option Period Studies. In addition, Hansoh may not, and may not cause any Affiliate, service providers, collaborators or Third Parties to, reverse engineer, copy, disassemble or otherwise attempt to reconstruct any Option Period Materials.

2.4 Grant of Option and Option Period License. CaspianTern hereby grants to Hansoh during the Option Period:

2.4.1 an exclusive option, exercisable in Hansoh's sole discretion at any time during the Option Period, to obtain from CaspianTern the license rights described in Section 3.1 (the "***Option***"); and

2.4.2 a non-transferable, non-sublicensable (other than to Hansoh's Affiliates or CROs directly participating in the Option Period Studies), fully-paid, royalty-free license under the Licensed Technology (other than Licensed Know-How solely related to the formulation and/or Manufacture of Licensed Compounds or Licensed Product) to perform the Option Period Studies as contemplated herein (the "***Option Period License***").

2.5 Option Period Studies. Promptly after the Effective Date, CaspianTern and Hansoh shall form a joint project team responsible for managing Option Period Studies, which shall be performed by Hansoh or a CRO approved in advance in writing by CaspianTern. In

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addition, during the Option Period, the JSC (as defined below) shall approve and oversee the design, control, and conduct of the Option Period Studies. The Option Period Studies will be funded solely by Hansoh. Within [***] of the earlier of (a) Hansoh's exercise of the Option or (b) the expiration or termination of the Option Period, Hansoh shall present a written summary of results from its Option Period Studies to CaspianTern ("***Study Report***"). The Study Report should meet general scientific publication standard by providing study purposes, methods, materials and results (including detail results and raw data). In addition, Hansoh shall, from time to time during the Option Period, keep CaspianTern informed as to the progress made in the Option Period Studies and shall promptly provide written reports upon completion or as agreed by the Parties (including, where appropriate, the results, analysis and conclusions with respect to such specific study). Hansoh shall, and shall cause its CRO, if applicable, to, use Commercially Reasonable Efforts to conduct the Option Period Studies in accordance with the study plan agreed by the Parties and approved by the JSC and to complete the Option Period Studies within the Option Period.

2.6 Option Exercise. In the event Hansoh elects to exercise the Option, it shall prior to 11:59 pm Eastern Standard time on the last day of the Option Period, deliver to CaspianTern a written notice specifying that Hansoh has elected to exercise the Option ("***Option Notice***"). The date, if any, on which Hansoh exercises the Option by delivering the Option Notice shall be the "***License Effective Date***."

2.7 Expiration and Termination of the Option Period. The Option, the Option Period, and the Option Period License will expire if the Option is not exercised on or prior to the last day of the Option Period. Hansoh may earlier terminate the Option Period at any time and for any reason, effective immediately upon written notice to CaspianTern.

2.8 Effect of Expiration or Termination of the Option Period. Upon expiration or termination of the Option Period, other than due to the occurrence of the License Effective Date, (1) CaspianTern shall refund the full amount of the Upfront Payment to Hansoh within the Refund Period; (2) the Option Period License immediately terminates and all rights associated with Licensed Technology automatically revert back to CaspianTern, without requiring any act on either Party; and (3) Hansoh shall (a) immediately cease all work on the Option Period Studies, and (b) within [***] of such expiration or termination, (i) deliver to CaspianTern the Option Period Study Results in writing or computer-readable form and any remaining Option Study Materials; and (ii) return or destroy, at CaspianTern option, any physical embodiments of the Licensed Know-How provided to it by CaspianTern.

ARTICLE 3
LICENSES

3.1 Licenses to Hansoh.

3.1.1 Grant of License. Upon Hansoh's exercising the Option, CaspianTern hereby grants to Hansoh and its Affiliates, effective as of the License Effective Date, an irrevocable, royalty-bearing license, with the right to sublicense solely as set forth in Section 3.3, under the Licensed Technology, during the Term, to Exploit Licensed Compound and Licensed Products in the Field in the Territory. For the avoidance of doubt, the license granted under this Section 3.1.1 can be terminated in accordance with the other provisions of this Agreement. The

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foregoing license shall be exclusive with respect to the Licensed Patent Rights and co-exclusive with respect to the Licensed Know-How. Hansoh covenants that it will not, and will not permit any of its Affiliates or Sublicensees to, use or practice any Licensed Technology outside the scope of the license granted to it under this Section 3.1.1.

3.1.2 CaspianTern Retained Rights. Notwithstanding the exclusive rights granted to Hansoh in Section 3.1.1, CaspianTern and its Affiliates shall retain the following:

(a) the right to practice the Licensed Patent Rights within the scope of the license granted to Hansoh under Section 3.1.1 in order to perform, or have performed by a Third Party contractor, CaspianTern's obligations under this Agreement;

(b) the right to Manufacture or have Manufactured Licensed Products anywhere in the world for sale and use outside of the Territory; and

(c) the right to practice and license the Licensed Technology outside the scope of the license granted to Hansoh under Section 3.1.1.

3.2 No Other Licenses. Neither Party grants to the other Party any rights or licenses in or to any Intellectual Property, whether by implication, estoppel, or otherwise, other than the license rights that are expressly granted under this Agreement.

3.3 Sublicensing by Hansoh.

3.3.1 Hansoh shall have the right to grant sublicenses (including any option to obtain a sublicense, each a "***Sublicense***") to (i) any of its Affiliates, (ii) any Third Party service provider solely with respect to the right to research, develop and/or register Licensed Products in the Field in the Territory on behalf of Hansoh, or (iii) any Third Party solely with respect to the right to distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize Licensed Products in the Field in the Territory (each, a "***Sublicensee***"), under the license set forth in Section 3.1.1, provided that: (a) each Sublicense shall be granted pursuant to a written agreement that complies with Section 3.3.2; (b) Hansoh shall provide CaspianTern with written notice of the identity of each Sublicensee within [***] following the execution of each Sublicense, along with a redacted copy of the applicable Sublicense agreement sufficient to demonstrate compliance with clause (a); (c) such Sublicensee is not debarred or disqualified under applicable Laws, (d) Hansoh retains a material involvement with respect to the research, development, registration, marketing and promotion of the applicable Licensed Product; and (e) each agreement for the Sublicense shall be consistent with the terms and conditions of this Agreement. Hansoh shall remain solely responsible for all the Sublicensees' activities, conformity to, and any and all failures to comply with, those portions of this Agreement applicable to such Sublicensee. Except as expressly set forth in this Section 3.3.1, Hansoh shall not have the right to grant sublicenses of the license granted in Section 3.1.1 without Tern's express prior written consent.

3.3.2 Without limiting Section 3.3.1, Hansoh shall include in each such Sublicense agreement provisions that (a) such Sublicensee is bound by and subject to all terms and conditions of this Agreement (other than terms and obligations bearing on financial considerations and audit rights) in the same manner and to the same extent as Hansoh is bound

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thereby; (b) Hansoh shall have the right to grant to CaspianTern cross-reference rights consistent with Section 4 with respect to Regulatory Materials and Regulatory Approvals generated, filed or obtained by or on behalf of such Sublicensee within the scope of such sublicense or option agreement; (c) the Sublicensee has obligations of confidentiality and non-use regarding Confidential Information that are substantially the same as those undertaken by the Parties pursuant to Article 9 hereof; and (d) the Sublicensee has indemnification obligations that are substantially the same as those undertaken by Hansoh pursuant to Article 10 hereof.

3.4 Subcontractors. Hansoh may Exploit its rights in the Licensed Technology under this Agreement through one or more Third Party contractors or consultants, provided that (a) Hansoh remains responsible for any obligations that have been delegated or subcontracted to any contractor or consultants, and the performance of such activities by such contractors and consultants in accordance with the terms of this Agreement, and (b) the contractor or consultant undertakes in writing obligations of (i) confidentiality and non-use regarding Confidential Information that are substantially the same as those undertaken by the Parties pursuant to Article 9 hereof, (ii) compliance with Applicable Laws, and (iii) assignment to Hansoh all data, Know-How, inventions or other intellectual property generated by such subcontractor in the course of performing such subcontracted work.

3.5 Transfer of Additional Licensed Know-How. Promptly after the License Effective Date and no later than three (3) months thereafter, Terns Group shall without charge deliver to Hansoh (or its contract manufacturing designee, as the case may be) all additional existing Licensed Know-How not delivered during the Option Period pursuant to Section 2.2, including (a) all technical data and information within Terns Group's possession that may be required by any Regulatory Authorities in the Territory to initiate an IND filing or dossier (such as a clinical trial application); and (b) all existing Licensed Know-How relating to the Manufacture of Licensed Compounds. From time to time during the Term, or promptly upon Hansoh's reasonable request, Terns Group shall without charge transfer to Hansoh (or its contract manufacturing designee, as the case may be) any additional Licensed Know-How in Terns Group's possession to the extent not previously delivered.

3.6 Non-Compete. During the Term, Hansoh shall not, directly or indirectly, either by itself or with or through any of its Affiliates or any Third Party, Exploit in the Territory any other compound or product (other than a Licensed Compound or Licensed Product) [***] as its [***] mechanism of action [***] (each, a "***Myristate Competing Product***").

ARTICLE 4
GOVERNANCE, DEVELOPMENT, AND COMMERCIALIZATION

4.1 Governance.

4.1.1 Alliance Managers. Within [***] following the Effective Date, each Party shall appoint (and notify the other Party in writing of the identity of) a representative having the appropriate qualifications to act as its alliance manager under this Agreement (the "***Alliance Manager***"). The Alliance Managers shall serve as the primary contact points between the Parties regarding the activities contemplated by this Agreement. The Alliances Managers shall (a) promote communication, coordination, and collaboration between the Parties, providing a single point of communication for seeking consensus both internally within each Party's

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respective organization, including facilitating review of external corporate communications, and raising cross-Party or cross-functional disputes in a timely manner; and (b) manage the JSC meetings by (i) calling and organizing meetings of the JSC; (ii) preparing and issuing minutes of each meeting that reflect, without limitation, all material decisions made at such meetings, within [***] thereafter; and (iii) preparing and circulating an agenda for the upcoming meeting, in each case at the direction of and in consultation with the then-current chairperson(s) of the JSC. Each Party may replace its Alliance Manager at any time by written notice to the other Party.

4.1.2 Joint Steering Committee

(a) Formation. Within [***] after the Effective Date, the Parties shall establish a joint steering committee (the "**Joint Steering Committee**" or the "**JSC**") to cooperate, coordinate, integrate, monitor and oversee the Exploitation of the Licensed Product in the Field within the Territory under this Agreement. The JSC shall at all times consist of an equal number of representatives for each Party. Each Party shall appoint at least (2) representatives to the JSC, each of whom shall be an officer or employee of such Party having sufficient experience and seniority within such Party to make decisions arising within the scope of the JSC's responsibilities. The JSC may change its size from time to time by unanimous consent of its representatives, and each Party may replace its JSC representatives upon written notice to the other Party. Each Party shall appoint one (1) of its representatives on the JSC to act as the co-chairperson. The role of the co-chairpersons shall be to convene and preside at the JSC meetings and coordinate with the Alliance Managers to ensure circulation of meeting agendas at least [***] in advance of JSC meetings and the preparation of meeting minutes and any pre-read materials, but the co-chairpersons shall have no additional powers or rights beyond those held by other JSC representatives.

(b) Role. The JSC shall (a) provide a forum for the discussion of the Parties' activities under this Agreement and review, discuss and coordinate the overall strategy for the Exploitation of Licensed Products in the Territory, including related regulatory activities; (b) review and discuss the Development Plan and overall strategy for the development of the Licensed Products in the Field within the Territory; (c) establish subcommittees as necessary or advisable to further the purpose of this Agreement, including overseeing specific projects or activities; (d) facilitate the exchange of information with respect to the development and commercialization activities relating to the Licensed Products in the Field and conducted by or on behalf of each Party; and (e) perform such other functions as expressly set forth in this Agreement or as the Parties may mutually agree in writing, except where in conflict with any provision of this Agreement.

(c) Limitation of Authority. The JSC shall only have the powers expressly assigned to it by this Agreement and shall not have the authority to (i) modify or amend the terms and conditions of this Agreement; (ii) waive or determine either Party's compliance with the terms and conditions of this Agreement; or (iii) determine any such issue in a manner that would conflict with the express terms and conditions of this Agreement.

(d) Meetings. The JSC shall hold meetings at a frequency that the Parties mutually agree in writing, but in no event shall such meetings be held less frequently than once every Calendar Year. Each Party may call additional *ad hoc* JSC meetings as the need

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arises with [***] advance notice to the other Party and agreed by the other Party. Meetings of the JSC may be held in person, by audio or video conference or similar means. In-person JSC meetings shall be held at locations agreed by the Parties. All written JSC meetings communications, reports and records shall be in English. Each Party shall be responsible for such Party's expenses incurred in participating in the JSC meetings.

(e) Non-Member Attendance. Each Party may from time to time invite a reasonable number of participants relevant to the items on the issued agenda, in addition to its representatives, to attend the JSC meetings in a non-voting capacity; provided that no Party may have any Third Party (including any consultant) attend such a meeting without the prior written consent of the other Party and if such other Party consents to such Third Party's attendance, such Party shall ensure that such Third Party does not vote or otherwise participate in the decision-making process of the JSC and is bound by confidentiality and non-use obligations consistent with the terms of this Agreement.

(f) Decision-Making. All decisions of the JSC shall be made by unanimous vote, with each Party having one (1) vote. If after reasonable discussion and good faith consideration of each Party's view on a particular matter before the JSC, the JSC cannot reach a decision as to such matter within [***] after such matter was brought to the JSC for resolution, [***] will have final decision-making authority for matters that are [***], except for matters that are [***]. All unresolved matters shall be referred to the Chief Executive Officers or Heads of Business Development of the Parties (the "***Executive Officers***") for resolution. If such Executive Officers are unable to resolve any such dispute within [***] despite good faith negotiations, either Party may have the dispute settled by arbitration in accordance with Section 12.3.

4.2 Development.

4.2.1 Subject to the terms and conditions of this Agreement, from and after the License Effective Date, as between the Parties, Hansoh shall have sole responsibility for the Exploitation of one or more Licensed Products in the Field in the Territory, including all non-clinical and clinical studies as necessary to obtain Regulatory Approval for Licensed Products in all Regions in the Territory, at its cost and expense (including responsibility for all funding, resourcing and decision-making), except as otherwise expressly set forth herein.

4.2.2 Development Plan. Without limiting the generality of the other provisions in this Section 4.2, Hansoh will, within [***] after the License Effective Date, prepare and submit to the JSC a detailed plan containing the strategy, activities, study designs, timeline, study material needs and budget for research and development of the Licensed Compound and Mono Product in the Field in the Territory (together with any subsequent updates, the "***Development Plan***"). The Development Plan shall include among other things, all material non-clinical and clinical studies, CMC information collection activities and regulatory activities solely with respect to the Licensed Compound and Mono Product to be conducted in the Territory. With respect to Combination Products, Hansoh shall [***]. From time to time during the Term (but at least once per Calendar Year), Hansoh shall prepare amendments and updates, including information relating to the development plan of Licensed Compound and/or Licensed Product, as appropriate, to the then-current Development Plan, and submit such amendments and updates to

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the JSC. If there are no amendments or updates to the then-current Development Plan that are applicable in a Calendar Year, Hansoh's sole responsibility under this Section 4.2.2 during such Calendar Year shall be to inform CaspianTern that the then-current Development Plan is up to date. Notwithstanding the forgoing, [***].

4.2.3 Regulatory Filings.

(a) Subject to the terms and conditions of this Agreement, as between Hansoh and CaspianTern, Hansoh will have sole responsibility for, at its sole cost and expense, for the conduct of all regulatory activities required to obtain and maintain Regulatory Approval of Licensed Products in the Field in the Territory, including (i) preparing and submitting all Regulatory Materials for Licensed Products in the Field in the Territory and (ii) determining all regulatory plans and strategies for Licensed Products in the Field in the Territory. Subject to the terms and conditions of this Agreement, as between the Parties, Hansoh will have the exclusive right to submit to and appear before Regulatory Authorities on any matter with respect to Licensed Products in the Field in the Territory. Subject to the terms and conditions of this Agreement, Hansoh (or its Affiliates or Sublicensees, as applicable) will own all Regulatory Materials (including Regulatory Approvals) for Licensed Products in the Field in the Territory and all such Regulatory Materials shall be submitted in the name of Hansoh (or its Affiliate or Sublicensee, as applicable) in the Field in the Territory. Subject to the terms and conditions of this Agreement, as between the Parties, Hansoh shall have sole decision-making authority for all regulatory matters with respect to Licensed Products in the Field (including the content of any regulatory filing or dossier, pharmacovigilance reports, patient risk management strategies and plans, labeling, safety, recalls and withdrawals) in the Territory, unless such matter is [***], in which case the Parties shall discuss in good faith to resolve such matter. All unresolved matters shall be referred to the Executive Officers of the Parties for resolution. If such Executive Officers are unable to resolve any such dispute within [***] despite good faith negotiations, either Party may have the dispute settled by arbitration in accordance with Section 12.3.

(b) During the Term, CaspianTern shall, upon reasonable request by Hansoh and at Hansoh' sole cost and expense, allow reasonable and timely access, use and support of its existing technical documents and Regulatory Materials related to the Licensed Compound and Mono Product and necessary for Hansoh's completion and submission of a clinical trial application to assist Hansoh's completion and submission of an IND in Territory.

(c) Hansoh shall, at CaspianTern's cost and expense, promptly provide CaspianTern, upon reasonable request by CaspianTern, all data, information, documents and records related to the Licensed Compound or Mono Product generated by or on behalf of any Selling Party in the performance of activities under this Agreement and Regulatory Materials in connection with obtaining or maintaining Regulatory Approval for the Mono Product in the Territory.

(d) Meetings with Regulatory Authorities. Hansoh shall keep CaspianTern reasonably informed of any material regulatory developments related to Mono Products in the Field in the Territory. At each regularly scheduled JSC meeting, Hansoh shall provide CaspianTern with a list and schedule of any in-person meeting or teleconference with the applicable Regulatory Authorities (or related advisory committees) in the Territory planned for

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the next Calendar Quarter that relates to any Mono Product in the Field. In addition, Hansoh shall notify CaspianTern as soon as reasonably possible (but in no event later than [***] if possible) after Hansoh becomes aware of any additional such meetings or teleconferences that become scheduled for such Calendar Quarter. To the extent permitted by applicable Laws and by the Regulatory Authorities, CaspianTern shall have the right to participate (whether directly or through a representative) in all such meetings and teleconferences, at CaspianTern's cost.

(e) If either Party believes that the other Party is taking or intends to take any action with respect to any Licensed Product that could reasonably be expected to have an Adverse Risk in any territory, such Party may bring the matter to the attention of the JSC and the Parties shall discuss in good faith to promptly resolve such concern. In addition, each Party shall immediately notify the other Party of any information it receives regarding any threatened or pending action, inspection or communication by or from any Third Party, including without limitation a Regulatory Authority, which may affect the Exploitation (including regulatory status) of any Licensed Product. Upon receipt of such information, the Parties shall consult with each other in an effort to arrive at a mutually acceptable procedure for taking appropriate action.

4.2.4 Mutual Right of Reference. From and after the License Effective Date, each Party hereby grants to the other Party a non-exclusive "Right of Reference," as that term is defined in 21 C.F.R. § 314.3(b) (or equivalent Applicable Law within the Territory) to all Regulatory Materials pertaining to the Mono Product in the Field submitted by or on behalf of such Party. Each Party shall support the other Party, as reasonably requested by such other Party and at such other Party's expense, in obtaining Regulatory Approvals in such other Party's territory, including providing necessary documents or other materials required by Applicable Laws to obtain Regulatory Approval in such territory, all in accordance with the terms and conditions of this Agreement. To the extent CaspianTern grants any license under Licensed Technology in the Field outside the Territory, CaspianTern shall include in such license agreement the right to grant to Hansoh cross-reference rights consistent with Section 4 with respect to Regulatory Materials and Regulatory Approvals generated, filed or obtained by or on behalf of such licensee within the scope of such license agreement.

4.2.5 Diligence. Hansoh shall use Commercially Reasonable Efforts to develop (including obtaining Regulatory Approval for) the Licensed Product and to conduct its development activities under and in accordance with the Development Plan. Hansoh shall use Commercially Reasonable Efforts to commercialize Licensed Product(s) in the Field in the Territory, and to actively market and sell the Licensed Products in the Territory. Without limiting the foregoing, unless due to reasons out of Hansoh's reasonable control, Hansoh shall (a) file a clinical trial application with the NMPA for at least one Licensed Product within [***] following the License Effective Date, or (b) obtain at least one Regulatory Approval for a Licensed Product from the NMPA for the Global Indication (as defined below) within [***] following the first Regulatory Approval for such Licensed Product for an indication anywhere in [***] (the "***Global Indication***").

4.2.6 Development Reports and Records. Hansoh shall provide periodic written reports to JSC in reasonable detail summarizing its Development activities performed since the last JSC meeting related to the Development of the Licensed Product in the Field in the Territory. At such JSC meeting, the Parties shall discuss the status, progress and results of the

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Selling Parties' Development activities. Hansoh shall maintain reasonably complete records of data and other information resulting from activities conducted with respect to Licensed Products by any Selling Party in the Territory and shall document all non-clinical and clinical studies for Licensed Products in written study records according to Applicable Laws. Upon reasonable request by CaspianTern and subject to JSC approval, Hansoh shall make such records available to CaspianTern to the extent necessary or useful for regulatory reference purposes in accordance with this Agreement.

4.3 Commercialization.

4.3.1 Marketing and Commercialization Activities. Upon receiving Regulatory Approval for one or more Licensed Product(s) in one or more Regions of the Territory, Hansoh will have sole right and responsibility with respect to the marketing and commercialization of such Licensed Product(s) in such Regions, subject to the terms and conditions of this Agreement (including the diligence obligations). Hansoh shall bear all the costs and expenses incurred in connection with such commercialization activities and shall use Commercially Reasonable Efforts to Commercialize the Licensed Product [***].

4.3.2 Commercialization Report. For each Calendar Year following first Regulatory Approval for a Licensed Product, Hansoh shall provide to CaspianTern annually within [***] after the end of such Calendar Year a high-level report summarizing Hansoh's activities with respect to the commercialization of Licensed Products in such Calendar Year. Such reports and the contents thereof shall be Confidential Information of Hansoh.

4.3.3 Each Party hereby covenants and agrees that during the Term, it shall not, and shall ensure that its Affiliates and Sublicensees (in the case of Hansoh) or licensees (in the case of CaspianTern) will not, directly or indirectly, promote, market, distribute, import, sell or have sold the Licensed Products, including via internet or mail order, in the other Party's territory. If either Party receives any order for any Licensed Product from a prospective purchaser reasonably believed to be located in a country or region in the other Party's territory, such Party shall immediately refer that order to the other Party and such Party shall not accept any such orders. Each Party shall not deliver or tender (or cause to be delivered or tendered) Licensed Products into a country or region in the other Party's territory during the Term. Each Party shall not, and shall ensure that its Affiliates and their respective Sublicensees (in the case of Hansoh) or licensees (in the case of CaspianTern) will not, knowingly restrict or impede in any manner the other Party's exercise of its retained exclusive rights in the other Party's territory during the Term. Hansoh hereby covenants that it shall not, and shall cause its Affiliates and Sublicensees not to, promote or encourage the use of Licensed Products in the Territory for any use outside the Field during the Term.

4.4 Pharmacovigilance Agreement. Within [***] of the License Effective Date, but in any event prior to commencement of any clinical trials with respect to the Licensed Product in the Territory, the Parties will in good faith negotiate and finalize a safety data exchange agreement (the "***Pharmacovigilance Agreement***"), the terms of which shall set forth the guidelines, obligations, procedures and timelines for the receipt, investigation, recording, communication, and exchange (as between the Parties) of Adverse Event reports, pregnancy reports, and any other information concerning the safety of the Licensed Product or observed in

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connection with the Licensed Product, and other routine pharmacovigilance reporting requirements, in order to enable the other Party to comply with its safety reporting obligations to the applicable Regulatory Authorities and to protect patients and promote their well-being. The Pharmacovigilance Agreement shall include terms governing each Party's responsibility for preparing Adverse Event reports and responses to safety issues and requests of Regulatory Authorities relating to Licensed Products, for filing such reports and responses with Regulatory Authorities in the Territory, and for reporting any quality complaints, Adverse Events and safety data related to Licensed Products in the Territory for inclusion in the global safety database. Each Party hereby agrees to comply with its respective obligations under such Pharmacovigilance Agreement and to cause its Affiliates and permitted Sublicensees or licensees to comply with such obligations.

4.5 Remedial Actions. Each Party will notify the other Party immediately, and promptly confirm such notice in writing, if it obtains information indicating that any Licensed Product may be subject to any recall, corrective action or other regulatory action taken by virtue of applicable Laws (a "***Remedial Action***"). The Parties will assist each other in gathering and evaluating such information as is necessary to determine the necessity of conducting a Remedial Action. Hansoh shall, and shall ensure that its Affiliates and Sublicensees will, maintain adequate records to permit the Parties to trace the packaging, labeling, distribution, sale and use (to the extent possible) of the Licensed Product in the Territory. Hansoh shall have sole discretion and responsibilities with respect to any matters relating to any Remedial Action in the Territory, including the decision to commence such Remedial Action and the control over such Remedial Action in the Territory, at its cost and expense; *provided, however,* if CaspianTern determines in good faith that any Remedial Action with respect to any Licensed Product in the Territory should be commenced or is required by applicable Laws or Regulatory Authority, (a) CaspianTern shall discuss such Remedial Action with Hansoh and (b) Hansoh shall carry out such Remedial Action upon Tern's request. Each Party shall provide the other Party, at the other Party's expense, with such assistance in connection with a Remedial Action as may be reasonably requested by such other Party.

4.6 Manufacturing and Supply.

4.6.1 After the License Effective Date, Hansoh shall, upon CaspianTern's request, supply Licensed Compound and/or Mono Product to CaspianTern or its designee for clinical use or commercial sale outside of the Field in the Territory or outside of the Territory, at the Manufacturing cost plus a [***]. The Parties shall enter into a supply agreement containing customary terms of forecasting and ordering procedures and other operational matters related to the supply of the Licensed Compound and/or Mono Product reasonably promptly following the License Effective Date. CaspianTern shall have the option to source Licensed Compound and/or Mono Product directly or from alternative vendors, based on reliability, quality, and/or cost considerations. In any event, Hansoh shall have the right to manufacture Licensed Compound within Territory for research, development, and commercialization purposes within Field, subject to the licenses under Section 3.1.

4.6.2 After the License Effective Date, at CaspianTern's request, the Parties shall enter into a manufacturing technology transfer agreement for the supply of the Mono Product ("***Manufacturing Technology Transfer Agreement***"). Under such Manufacturing

Technology Transfer Agreement, Hansoh shall provide such technical assistance and support, necessary or reasonably useful for CaspianTern to Manufacture, or have Manufactured by a Third Party contractor engaged by CaspianTern ("***CMO***"), the clinical and commercial formulation of the Mono Product, to the extent Controlled by Hansoh (such documents, Know-How and information, "***Manufacturing Technology***"). CaspianTern shall pay Hansoh's reasonable costs incurred in connection with providing such information or assistance pursuant to this Section 4.6.2 or the Manufacturing Technology Transfer Agreement. The Manufacturing Technology Transfer Agreement shall include terms providing CaspianTern sufficient rights to use the Manufacturing Technology.

ARTICLE 5
PAYMENTS

5.1 Milestone Payments. Hansoh shall pay to CaspianTern the respective one-time only milestone payments set forth below upon the first achievement of the applicable milestone event, whether such achievement is made by Hansoh, its Affiliate or its Sublicensee.

Milestone Event	Milestone Payment
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

5.2 Milestone Payment Terms. Hansoh shall notify CaspianTern in writing within [***] following the achievement of each milestone event set forth in Section 5.1, and, except as noted below, shall make the appropriate milestone payment in Dollars by wire transfer to a bank designated in writing by CaspianTern, within [***] after receipt of an invoice from CaspianTern. Each milestone payment stated in the table in Section 5.1 shall be paid no more than once under this Agreement, regardless of whether or not similar achievement(s) are thereafter made for the same or one or more other Licensed Products. If a Licensed Product first achieves [***] of Net Sales in the same Calendar Year in which a Licensed Product first achieves [***] of Net Sales, the milestones payments with respect to those two achievements shall be payable as follows: [***] for the achievement of such [***] of Net Sales, and balance of [***] will become due one year after the due date of such [***] payment. The foregoing mechanism is applicable should a Licensed Product achieve more than one Net Sales milestones in the same Calendar Year, such that a later Net Sales milestone is payable a year after the due date of the earlier Net Sales milestone.

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5.3 Royalties.

5.3.1 Royalty Payments. During the Royalty Term, in partial consideration of the licenses and rights granted hereunder, Hansoh shall pay to CaspianTern royalties on Net Sales of all Licensed Products at a [***], subject to the remainder of this Section 5.3.

5.3.2 Generic Competition. Upon commencement of marketing of a Generic Product in a [***] within the Territory, and thereafter for so long as such Generic Product is marketed in such [***], then the royalty rate payable by Hansoh to CaspianTern with respect to Net Sales of the Licensed Product in such [***] shall be reduced by [***] of the otherwise applicable rate.

5.3.3 Third Party License. To the extent a Third Party license is required to import, sell, or offer for sale a Licensed Product (excluding license to delivery technologies or technologies required for Combination Products) in a particular [***], the royalties payable by Hansoh to CaspianTern shall be reduced by offsetting up to [***] payable to such Third Party licensor(s) [***] in such [***] against [***] payable by Hansoh to CaspianTern with respect to [***] in such [***].

5.3.4 Anti-Stacking. Notwithstanding Sections 5.3.2 and 5.3.3, at no point shall the royalty rate payable to CaspianTern under Section 5.3.1 with respect to the Net Sales of any Licensed Product be less than [***].

5.3.5 Payment Terms. Royalties reportable in each Royalty Report provided for under Section 6.1 shall be due within [***] from receipt of an invoice from CaspianTern**.** Royalty payments will be made to CaspianTern in Dollars by wire transfer to a bank designated in writing by CaspianTern.

5.4 Taxes. The [***] any wire transfer fees. CaspianTern shall pay all sales, turnover, income, revenue, value added, and other taxes, levies, and similar governmental charges ("***Taxes***") levied on account of any milestone and royalty payments accruing or made to CaspianTern under this Agreement. If and to the extent that provision is made in law or regulation of any Region for withholding of Taxes with respect to any such payment, then Hansoh shall promptly pay such Tax for and on behalf of CaspianTern to the proper Governmental Authority, and shall promptly furnish CaspianTern with receipt of payment. Hansoh shall be entitled to deduct any such Taxes actually paid from such milestone or other payment due to CaspianTern. Each Party agrees to reasonably assist the other Party in claiming exemption from such deductions or withholdings under double taxation or similar agreements or treaties from time to time in force and in minimizing the amount required to be so withheld or deducted.

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ARTICLE 6
ACCOUNTING AND REPORTING

6.1 Royalty Reports. Within [***] after the end of each Calendar Quarter during the Royalty Term, Hansoh shall furnish to CaspianTern a quarterly written report showing in reasonably specific detail (a) the calculation of Net Sales by Hansoh and its Affiliates during such Calendar Quarter; (b) the calculation of Net Sales by Hansoh's non-Affiliate Sublicensees, if any, during the Calendar Quarter immediately preceding such Calendar Quarter; (c) the calculation of the royalties, if any, that shall have accrued based upon such Net Sales; (d) the withholding taxes, if any, required by law to be deducted with respect to such sales; and (e) the exchange rates, if any, used in determining the amount of Dollars (a "***Royalty Report***"). With respect to sales of Licensed Products invoiced in Dollars, the gross sales, Net Sales and royalties payable shall be expressed in Dollars. With respect to (i) Net Sales invoiced in a currency other than Dollars and (ii) cash consideration paid in a currency other than Dollars by Sublicensees hereunder, all such amounts shall be expressed both in the currency in which the distribution is invoiced and in the Dollar equivalent. The Dollar equivalent shall be calculated using the average of the exchange rate (local currency per US$1) published in The Wall Street Journal, Western Edition, under the heading "Currency Trading" on the last business day of each month during the applicable Calendar Quarter, or other newspaper agreed to by the Parties.

6.2 Audits. During the Royalty Term, upon the written request of CaspianTern and not more than once in each Calendar Year, Hansoh and CaspianTern shall jointly select an independent certified public accounting firm of nationally recognized standing at CaspianTern's expense, to permit such accounting firm to have access during normal business hours to such of the financial records of Hansoh as may be reasonably necessary to verify the accuracy of the payment reports hereunder for the [***] immediately prior to the date of such request (other than records for which CaspianTern has already conducted an audit under this Section). Such audit shall be requested in writing at least [***] in advance. For the avoidance of any doubt, the Parties agree that each of the Big 4 accounting firms satisfies the requirements under this Section 6.2 and is acceptable to Hansoh.

6.2.1 If such accounting firm concludes that additional amounts were owed during the audited period, Hansoh shall pay such additional amounts within [***] after the date CaspianTern delivers to Hansoh such accounting firm's written report so concluding. The fees charged by such accounting firm shall be paid by CaspianTern; provided, however, if the audit discloses that the royalties payable by Hansoh for such period are more than [***] of the royalties actually paid for such period, then Hansoh shall pay the reasonable, in any case no more than [***], fees and expenses charged by such accounting firm.

6.2.2 CaspianTern shall cause its accounting firm to retain all financial information subject to review under this Section 6.2 in strict confidence; provided, however, that Hansoh shall have the right to require that such accounting firm, prior to conducting such audit, enter into an appropriate non-disclosure agreement with Hansoh regarding such financial information. The accounting firm shall disclose to CaspianTern only whether the reports are correct or not and the amount of any discrepancy. No other information shall be shared. CaspianTern shall treat all such financial information as Hansoh's Confidential Information.

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ARTICLE 7
INTELLECTUAL PROPERTIES

7.1 Ownership.

7.1.1 Background Technologies. Except for the licenses and rights expressly set forth in this Agreement, each Party shall retain all rights, title and interest in and to (a) its respective background technologies and related Intellectual Property rights existing as of the Effective Date, (b) any and all improvements to the foregoing clause (a), and (c) other Intellectual Property developed independent of this Agreement (collectively, the **"*Background Technologies*"**). Except for the licenses and rights expressly set forth in this Agreement, neither Party grants or shall be required to grant to the other Party, by implication or otherwise, any license or right under its Background Technologies, nor will a Party be required to disclose any of its Background Technologies to the other Party, except as is explicitly required under this Agreement.

7.1.2 Option Period Study Results. Any and all Intellectual Property conceived, developed or acquired directly in the course of or resulting from the Option Period Studies (a) shall be owned by Hansoh to the extent the same was conceived, developed or acquired solely by or on behalf of Hansoh; (b) shall be owned by CaspianTern to the extent the same was conceived, developed or acquired solely by or on behalf of CaspianTern; and (c) shall be jointly owned by both Parties if it was conceived, developed or acquired jointly by both Parties; provided that, however, [***]. If Hansoh exercises the Option, all Intellectual Property Controlled by Hansoh residing within the Option Period Study Results shall be deemed as "Hansoh Development IP" subject to the licensed under Section 7.1.3; provided that CaspianTern's Exploitation and sublicense of such Option Period Study Results shall in no event conflict with Section 3.1.1. Inventorship and authorship will be determined under the applicable rules and precedents prevailing in the United States. For clarity, any Option Period Study Results solely or jointly owned by CaspianTern shall be included in the Licensed Technology.

7.1.3 Other IP. Any and all Intellectual Property conceived, developed or acquired after the License Effective Date and arising directly out of the activities under this Agreement which are necessary or useful for the Exploitation of a Licensed Compound or Licensed Product, (a) shall be owned by Hansoh or its Affiliates to the extent the same was conceived, developed or acquired solely by or on behalf of Hansoh (the "***Hansoh Development IP***"), provided that [***]; further provided that CaspianTern's Exploitation and sublicense of such Hansoh Development IP shall in no event conflict with Section 3.1.1; (b) shall be owned by CaspianTern to the extent the same was conceived, developed or acquired solely by or on behalf of CaspianTern or its Affiliates, which shall be included in the Licensed Technology; and (c) shall be jointly owned by both Parties if it was conceived, developed or acquired jointly by both Parties. Inventorship and authorship will be determined under the applicable rules and precedents prevailing in the United States.

7.1.4 Right of First Negotiation. With respect to Combination Product(s), Hansoh will promptly notify CaspianTern if any Hansoh Development IP Covering such Combination Product(s) becomes available for license, and hereby grants CaspianTern the first right to negotiate an exclusive, worldwide (excluding the Territory) license to Exploit such

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Combination Product(s). CaspianTern will have [***] from its receipt of such notice to provide Hansoh with a written notice that it desires to enter into good faith negotiations with Hansoh regarding such license; thereafter the Parties shall have [***] (the "***RFN Period***") to negotiate exclusively the terms of such license. If CaspianTern (i) gives notice that it does not wish to pursue such license, (ii) fails to give a notice of its desire to negotiate such license within the [***] period, or (iii) the Parties fail to reach agreement on the terms of such license within the RFN Period, then CaspianTern's rights pursuant to this Section 7.1.4 will expire and Hansoh shall be free to enter into a transaction with any Third Party with respect to the applicable Hansoh Development IP, provided that if during the RFN Period CaspianTern submitted an offer in writing, Hansoh can only enter into such transaction with a Third Party on terms and conditions no more favorable to such Third Party than those offered by CaspianTern.

7.1.5 Rights of Joint Owners. Subject to the licenses and covenants in this Agreement, including Sections 3.1 and 9.1, each of the joint owners of any Intellectual Property (if any) shall be entitled during and after the Term to Exploit and practice any such jointly-owned Intellectual Property (if any) and to authorize others to do so, without requirement of consent from or accounting to the other owner of such Intellectual Property. Nothing in this Section 7.1.4 should be construed as granting any license, implied or express, other than the licenses expressly granted under this Agreement.

7.2 Patent Prosecution and Maintenance.

7.2.1 CaspianTern shall Prosecute all Licensed Patent Rights in the Territory owned solely by CaspianTern or jointly by CaspianTern and a Third Party in its sole discretion and using prosecution counsel of its choice; provided, however, that Hansoh will have the first right to Prosecute and Maintain the Licensed Patent Rights in the Territory, if Hansoh exercises the Option, upon and after the Option Exercise for the rest of the Term. To the extent Terns Inc controls Prosecution of Licensed Patent Rights in the Territory, Terns Inc hereby transfers such control upon Hansoh's exercise of the Option, and shall cause the inventors named on such Licensed Patent Rights to provide reasonable assistance to Hansoh to Prosecute such Licensed Patent Rights in the Territory. The Prosecuting Party shall regularly provide the other Party with copies of all material prosecution communications regarding any such Licensed Patent Rights in the Territory, and drafts of such material prosecution submissions prior to filing, in sufficient time to allow for review and comment by such other Party, and the prosecuting Party will consider in good faith and will use reasonable efforts to arrive at joint decisions on response. In the event that the Prosecuting Party decides not to Prosecute and Maintain any such Licensed Patent Rights in the Territory, such Party shall provide written notice to the other Party no less than [***] prior to the next deadline for any action that may be taken with respect to such Licensed Patent Rights, and such other Party shall have the option, in its sole discretion, to assume the Prosecution and Maintenance of such Licensed Patent Rights, as applicable, in the Territory. In the event that CaspianTern is the Prosecuting Party, CaspianTern shall be responsible for all Patent Costs incurred by CaspianTern for the Prosecution and Maintenance of the Licensed Patent Rights. In the event that Hansoh is the Prosecuting Party, Hansoh shall be responsible for all Patent Costs incurred by Hansoh for the Prosecution and Maintenance of the Licensed Patent Rights.

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7.2.2 Hansoh shall Prosecute all Patent Rights owned solely by Hansoh or jointly by Hansoh and a Third Party in its sole discretion and at its own cost and using prosecution counsel of its choice.

7.2.3 The Parties shall cooperate in good faith to determine which Party or Parties shall Prosecute such Patent Rights owned jointly by CaspianTern and Hansoh.

7.3 Enforcement of Patent Rights.

7.3.1 Notice of Infringement. Each Party shall promptly inform the other of any suspected infringement of any of the Licensed Patent Rights or the infringement or misappropriation of Licensed Know-How by a Third Party, to the extent such infringement involves Exploitation in the Field during the Term. Any suspected infringement of any of the Licensed Patent Rights in the Field in the Territory is referred to herein as a "***Covered Infringement.***"

7.3.2 First Right to Take Action. If a suspected infringement or misappropriation does not involve a Covered Infringement, CaspianTern may take, or refrain from taking, any action CaspianTern chooses, and Hansoh shall have no right to take any action with respect to such suspected infringement or misappropriation, nor to any recoveries with respect thereto. CaspianTern will exert reasonable efforts to keep Hansoh informed of actions CaspianTern may take as described in the preceding sentence. If the suspected infringement involves a Covered Infringement, Hansoh shall, within [***] of the first notice referred to in Section 7.3.1, inform CaspianTern whether or not Hansoh intends to institute suit against such Third Party with respect to such Covered Infringement. CaspianTern will not take any steps toward instituting suit against any Third Party involving a Covered Infringement until Hansoh has informed CaspianTern of its intention pursuant to the previous sentence.

7.3.3 Action by Hansoh. If Hansoh notifies CaspianTern that Hansoh intends to institute suit against a Third Party with respect to a Covered Infringement, and CaspianTern does not agree to join in such suit as provided in Section 7.3.4, Hansoh may bring such suit on its own and shall in such event bear all costs of, and shall exercise all control over, such suit. Hansoh may, at its expense, bring such action in the name of CaspianTern and/or cause CaspianTern to be joined in the suit as a plaintiff. Recoveries, if any, whether by judgment, award, decree or settlement, shall, after reimbursement of Hansoh for the costs of such action, [***].

7.3.4 Joint Action. If Hansoh notifies CaspianTern that it desires to institute suit against such Third Party with respect to a Covered Infringement, and CaspianTern notifies Hansoh within [***] after receipt of such notice that CaspianTern desires to institute suit jointly, the suit shall be brought jointly in the names of both Parties and all costs thereof shall be borne equally. Recoveries, if any, whether by judgment, award, decree or settlement, shall, after the reimbursement of each of CaspianTern and Hansoh for its share of the joint costs in such action, [***].

7.3.5 Action by CaspianTern. If Hansoh notifies CaspianTern that it does not intend to institute suit against such Third Party with respect to a Covered Infringement (or fails to give any notice in this respect or to actually bring a suit against the Third Party), CaspianTern may institute suit on its own. CaspianTern shall bear all costs of, and shall exercise all control over, such suit. Recoveries, if any, whether by judgment, award, decree or settlement, shall belong solely to CaspianTern.

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7.3.6 Abandonment of Actions. Should either CaspianTern or Hansoh commence a suit under the provisions of this Section 7.3 and thereafter elect to abandon the same, it shall give timely notice to the other Party, who may, if it so desires, be joined as a plaintiff in the suit (or continue as such if it is already one) and continue prosecution of such suit, provided, however, that the sharing of expenses and any recovery of such suit shall be as equitably agreed upon between CaspianTern and Hansoh.

7.3.7 Cooperation. In any suit to enforce and/or defend the Licensed Patent Rights pursuant to this Section 7.3, the Party not in control of such suit shall, at the request and expense of the controlling Party, reasonably cooperate and, to the extent possible, have its employees testify when requested and make available relevant records, papers, information, samples, specimens, and the like.

ARTICLE 8
REPRESENTATIONS AND WARRANTIES

8.1 Mutual Representations and Warranties. Each Party hereby represents and warrants to the other Party as follows:

8.1.1 Such Party is a corporation duly organized, validly existing and in good standing under the laws of the State or country in which it is incorporated.

8.1.2 Such Party (a) has the corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder, and (b) has taken all necessary corporate action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement 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.

8.1.3 All necessary consents, approvals and authorizations of all Governmental Authorities and other Persons required to be obtained by such Party in connection with this Agreement have been obtained.

8.1.4 The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of Applicable Law, and (b) do not conflict with, or constitute a default under, any contractual obligation of such Party.

8.2 Terns Group Additional Representations and Warranties. Terns Group hereby represents and warrants to Hansoh as follows:

8.2.1 CaspianTern Controls the Licensed Technology in the Field, has the sole and exclusive (even as to Terns Inc and Terns) right to grant licenses under the Licensed Technology in the Field, and is entitled to grant the licenses specified herein with respect to the Licensed Technology.

8.2.2 CaspianTern and its Affiliates have not granted to any Third Party any option, license or other right or interest under the Licensed Patent Rights to Exploit the Licensed Technology in the Field in the Territory as of the Effective Date, and during the Term, unless this Agreement is earlier terminated or the Option is not exercised on or prior to [***], CaspianTern and its Affiliates will not grant, to any Third Party any option, license or other right or interest under the Licensed Patent Rights to Exploit the Licensed Technology in the Field in the Territory.

8.2.3 No [***] has breached any non-use or confidentiality obligations under any agreement including non-compete agreement with his or her respective prior employers, or has otherwise misappropriated any trade secret or confidential information of such employers, in each case relating to the Licensed Compound, Licensed Products, and Licensed Technology.

8.2.4 [***], the Exploitation of Licensed Compounds under this Agreement will not infringe or misappropriate any Intellectual Property rights owned or possessed by any Third Party.

8.2.5 [***], there are no pending or threatened claims, judgments or settlements against CaspianTern or its Affiliates relating to the Licensed Technology.

8.2.6 Terns Group has disclosed, or will disclose to Hansoh in accordance with Section 2.3, all material information in its or its Affiliates' possession regarding the Licensed Compounds (including all clinical trial and safety data, databases and analyses).

8.2.7 [***], no Third Party has infringed or misappropriated or is infringing or misappropriating any Licensed Technology.

8.2.8 The Intangible Property License Agreement effective as of August 19, 2019 by and between Terns Inc and Terns and the Intangible Property License Agreement effective as of June 16, 2020 by and between Terns and CaspianTern are lawfully entered by the parties thereto and are effective and binding upon such parties during the Term of this Agreement.

ARTICLE 9
COVENANTS

9.1 Exclusivity; Other Agreements.

9.1.1 During the Option Period, Terns Group shall not, without Hansoh's prior written consent in each instance: (a) grant or assign to any Third Party any option, license or other right in the Field in the Territory under the Licensed Technology or any portion or aspect thereof, or (b) solicit or enter into or continue any negotiations or discussions with any Third Party with respect to any of the foregoing.

9.1.2 **Third Party Agreements**. If any time as of or following the Effective Date and during the Term, a Party enters into any written agreement whereby such Party or any of its Affiliates grants or agrees to grant any option, negotiation right, license, or other right or interest in any of, in the case of Terns Group, the Licensed Patent Rights outside of the Field

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and/or outside the Territory, in the case of Hansoh, the Hansoh Development IP and/or the Option Period Study Results owned by Hansoh (the "***Third Party Agreement***"), such Party shall so notify the other Party within [***] of doing so. Each Party agrees that it shall use Commercially Reasonable Efforts to negotiate all such Third Party Agreements so that (i) the licensing Party would have the right to grant to the other Party cross-reference rights consistent with Section 4 with respect to Regulatory Materials and Regulatory Approvals generated, filed or obtained within the scope of the applicable Third Party Agreement; and (ii) the licensing Party would have the right to grant to the other Party a license consistent with this Agreement to any and all scientific or technical information, results, materials, and data, whether or not patentable, and Patent Rights developed within the scope of the applicable Third Party Agreement, solely to the extent that each such foregoing is an improvement to the Licensed Compound or otherwise necessary for the Exploitation of the Licensed Product.

9.2 Obligations of Confidentiality and Non-Use.

9.2.1 Confidential Information. Except as expressly provided herein, the Parties agree that the receiving Party shall not publish or otherwise disclose and shall not use for any purpose any information furnished to it by the other Party hereto under this Agreement (or prior to the Effective Date) which if disclosed in tangible form is marked "Confidential" or with other similar designation to indicate its confidential or proprietary nature or if disclosed orally is indicated orally to be confidential or proprietary by the Party disclosing such information at the time of such disclosure and is confirmed in writing as confidential or proprietary by the disclosing Party within a reasonable time after such disclosure (collectively, "***Confidential Information***"). Notwithstanding the foregoing, Confidential Information shall not include information that, in each case as demonstrated by written documentation:

(a) was already known to the receiving Party at the time of first disclosure or, as shown by written documentation, was developed by the receiving Party outside the Option Period Studies and independent of disclosure by the disclosing Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement; or

(d) was subsequently lawfully disclosed to the receiving Party by a Person other than a Party or developed by the receiving Party without reference to any information or materials disclosed by the disclosing Party.

9.2.2 Permitted Disclosures. Notwithstanding the provisions of Section 9.2.1 above, each Party hereto may disclose the other Party's Confidential Information to the extent such disclosure is reasonably necessary to exercise the rights granted to it, or reserved by it under this Agreement, prosecute or defend litigation, prosecute patent applications in accordance with this Agreement, comply with applicable laws or governmental regulations, submit information to tax or other Governmental Authorities, provided that if a Party is required to make any such disclosure of the other Party's Confidential Information, to the extent it may legally do so, it will

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give reasonable advance notice to such other Party of such disclosure and, save to the extent inappropriate in the case of patent applications or otherwise, will use its reasonable efforts to secure confidential treatment of such information prior to its disclosure (whether through protective orders or otherwise).

9.2.3 Terms of Agreement. Subject to Section 9.2.1, neither Party may disclose the terms of this Agreement without the prior written consent of the other Party; provided, however, that either Party may make such a disclosure (a) to the extent required by law or by the requirements of any nationally recognized securities exchange, quotation system or over-the-counter market on which such Party has or has applied to have its securities listed or traded, (b) to its legal and financial advisors, or (c) to any actual or prospective acquirers, investors, collaborators and lenders (as well as and to their respective legal and financial advisors) who are obligated to keep such information confidential. If such disclosure is required under clause (a), the disclosing Party shall make reasonable efforts to provide the other Party with notice beforehand and to coordinate with the other Party with respect to the wording and timing of any such disclosure.

9.2.4 Publicity. Without limiting the foregoing, and except to the extent required by law or by the requirements of any nationally recognized securities exchange, quotation system or over-the-counter market on which such Party has or has applied to have its securities listed or traded, neither Party shall be permitted to, directly or indirectly, issue any press release or other public statement relating to the terms of this Agreement or the transactions contemplated thereby without the prior approval of the other Party, which shall not be unreasonably withheld or delayed. Further, the Parties agree to issue the joint press release on **Exhibit C** at a date mutually agreed by the Parties.

9.3 Further Assurances; Consents. Each Party shall use reasonable efforts to take such action as is reasonably necessary or appropriate in order to complete the transactions contemplated hereby on the terms and subject to the conditions set forth herein.

ARTICLE 10
LIABILITY AND INDEMNITY

10.1 Limitation of Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES OF ANY KIND ARISING FROM OR RELATING TO ANY PERFORMANCE OR BREACH OF THIS AGREEMENT OR ANY CLAIMS ARISING HEREUNDER, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE), REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 10.1 IS INTENDED TO OR WILL LIMIT OR RESTRICT (A) THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTION 10.2, (B) DAMAGES AVAILABLE TO A PARTY FOR A BREACH BY THE OTHER PARTY OF THE CONFIDENTIALITY OBLIGATIONS UNDER SECTION 9.2, OR (C) DAMAGES AVAILABLE IN THE CASE OF BREACH OF EXCLUSIVITY UNDER SECTIONS 3.1 AND 9.1.1.

10.2 Indemnification.

10.2.1 Each Party (the "***Indemnitor***") shall defend, indemnify, and hold the other Party and its Affiliates (the "***Indemnitee***") harmless from all losses, liabilities, damages and expenses (including attorneys' fees and costs) incurred as a result of any claim, demand, action or proceeding arising out of any breach of this Agreement, including any covenants, representations or warranties herein by the Indemnitor, or the gross negligence or willful misconduct of the Indemnitor in the performance of its obligations under this Agreement, except in each case to the extent arising from the gross negligence or willful misconduct of the Indemnitee or the breach of this Agreement by the Indemnitee.

10.2.2 CaspianTern, as the Indemnitor, shall defend, indemnify, and hold Hansoh and its Affiliates and Sublicensees (as the Indemnitee) harmless from all losses, liabilities, damages and expenses (including attorneys' fees and costs) incurred as a result of any claim, demand, action or proceeding arising out of (a) the Exploitation of Licensed Products by CaspianTern, its Affiliate or its licensee, or (b) [***], except in each case to the extent arising from the gross negligence or willful misconduct of any Indemnitee, or from any breach of this Agreement by Hansoh.

10.2.3 Hansoh, as the Indemnitor, shall defend, indemnify, and hold CaspianTern, its Affiliates and licensees (as the Indemnitee) harmless from all losses, liabilities, damages and expenses (including attorneys' fees and costs) incurred as a result of any claim, demand, action or proceeding arising out of the Exploitation of Licensed Products by Hansoh, its Affiliate or its Sublicensee, except in each case to the extent arising from the gross negligence or willful misconduct of any Indemnitee, or from any breach of this Agreement by CaspianTern.

10.2.4 Indemnification Procedures. The Indemnitee promptly shall notify the Indemnitor of any liability or action in respect of which the Indemnitee intends to claim such indemnification, and the Indemnitor shall have the right to assume the defense thereof with counsel selected by the Indemnitor. The indemnity agreement in this Section 10.2 shall not apply to amounts paid in settlement of any loss, claim, damage, liability or action if such settlement is effected without the consent of the Indemnitor, which consent shall not be withheld unreasonably. The failure to deliver notice to the Indemnitor within a reasonable time after the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve the Indemnitor of any liability to the Indemnitee under this this Section 10.2. The Indemnitee under this Section 10.2, its employees and agents, shall cooperate fully with the Indemnitor and its legal representatives in the investigation and defense of any action, claim or liability covered by this indemnification.

ARTICLE 11
TERM AND TERMINATION

11.1 Term. The term of this Agreement shall begin on the Effective Date and, unless earlier terminated in accordance with the terms of this Article 11, will continue until the end of the last-to-expire Royalty Term (the ***"Term"***). Upon expiration of the Term, Hansoh shall have, and CaspianTern does hereby grant to Hansoh, a co-exclusive, royalty-free, fully paid-up, perpetual, non-terminable, non-revocable license, with the right to sublicense (through multiple tiers) to use the Licensed Know-How to Exploit Licensed Products in the Field in the Territory. This Agreement shall be automatically terminated if the Option is not exercised on or prior to the last day of the Option Period.

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11.2 Termination for Breach.

11.2.1 Each Party shall have the right to terminate this Agreement upon written notice to the other Party if such other Party materially breaches this Agreement and has not cured such breach to the reasonable satisfaction of the other Party within ninety (90) days after notice of such breach from the non-breaching Party; provided, however, that if the alleged breaching Party disputes in good faith the existence or materiality of a breach specified in such notice of breach and such alleged breaching Party provides the other Party notice of such dispute within thirty (30) days after receiving such notice, then the Party that gave the notice of breach shall not have the right to terminate this Agreement under this Section 11.2 unless and until it is determined in accordance with Section 12.3 that the alleged breaching Party has materially breached the Agreement as specified in the notice of breach, and then such breaching Party fails to cure such breach within ninety (90) days following such determination. It is understood and agreed that during the pendency of such dispute, all of the terms and conditions of this Agreement shall remain in effect and the Parties shall continue to perform all of their respective obligations hereunder.

11.2.2 CaspianTern shall notify Hansoh immediately if there is any proposed change to either the Intangible Property License Agreement effective as of August 19, 2019 by and between Terns Inc and Terns or the Intangible Property License Agreement effective as of June 16, 2020 by and between Terns and CaspianTern that would affect the licenses granted hereunder to Hansoh. If such proposed change is not acceptable to Hansoh, then that shall be grounds for termination by Hansoh under this Section 11.2.

11.3 Termination for Insolvency. Each Party shall have the right to terminate this Agreement upon written notice to the other Party if the other Party incurs an Insolvency Event; *provided*, however, in the case of any involuntary bankruptcy proceeding, such right to terminate shall only become effective if the Party that incurs the Insolvency Event consents to the involuntary bankruptcy or if such proceeding is not dismissed or stayed [***] after the filing thereof. "***Insolvency Event***" means circumstances under which a Party (i) has a receiver or similar officer appointed over all or a material part of its assets or business; (ii) passes a resolution for winding-up of all or a material part of its assets or business (other than a winding-up for the purpose of, or in connection with, any solvent amalgamation or reconstruction) or a court enters an order to that effect; (iii) has entered against it an order for relief recognizing it as a debtor under any insolvency or bankruptcy laws (or any equivalent order in any jurisdiction); or (iv) enters into any composition or arrangement with its creditors with respect to all or a material part of its assets or business (other than relating to a solvent restructuring). All rights and licenses granted under or pursuant to this Agreement by Hansoh or CaspianTern or their Affiliates are, and will otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The Parties agree that the Parties and their respective Affiliates, Sublicensees and Third Party sublicensees, as licensees of such rights under this Agreement, will retain and may fully exercise all of their rights and elections under the U.S. Bankruptcy Code and any foreign counterparts thereto.

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11.4 Termination for Convenience. Hansoh shall have the right to terminate this Agreement (a) at any time during the Option Period upon immediate written notice to CaspianTern, or (b) after the License Effective Date, at any time and for any reason upon [***] prior written notice to CaspianTern.

11.5 Termination for Change of Control of Terns or CaspianTern. Hansoh will have the right to terminate this Agreement within [***] following a Change of Control of Terns or CaspianTern. If Hansoh wishes to exercise its termination right pursuant to this Section 11.5, Hansoh shall deliver written notice to Terns or CaspianTern, as the case may be, informing Terns or CaspianTern of such election (such notice, the "Change of Control Termination Notice") within [***] following such Change of Control, and the Parties shall take such actions as are required by Section 11.6.9. Such termination shall be effective upon the execution of the Assignment Agreement pursuant to Section 11.6.9. Notwithstanding the foregoing, Hansoh shall not have the right to terminate this Agreement if the Third Party deemed to acquired control in a Change of Control of Terns or CaspianTern is a Permitted Holder.

11.6 Effect of Expiration or Termination. Upon expiration or termination of this Agreement for any reason:

11.6.1 The Parties shall not be relieved of any obligation accruing prior to such expiration or termination, and the provisions of Articles 1, 7, 8, 9, 10, 12 and Section 11.6 shall survive the expiration or termination of this Agreement.

11.6.2 All licenses and other rights granted by CaspianTern to Hansoh under this Agreement shall terminate. The licenses granted to Hansoh in Section 3.1 shall terminate solely with respect to the Licensed Compound(s), Licensed Product(s) and Region(s) in which the termination becomes effective; provided, however, that Hansoh and other Selling Parties, as applicable, shall be permitted to distribute and sell all Licensed Products that were in inventory or in production on an effective termination date for a period of [***] following the effective termination date, in accordance with the terms of this Agreement. In the event of a Termination for Breach by CaspianTern without cure, all licenses and rights granted by CaspianTern to Hansoh under this Agreement shall survive with all Milestone Payments and Royalty Payments obligations payable by Hansoh to CaspianTern reduced by [***]. In the event that this Agreement is terminated in its entirety, CaspianTern shall have the right, but not the obligation, to purchase any and all of the inventory of Licensed Products held by Hansoh or its Affiliates as of the date of termination, at a price agreed by the Parties.

11.6.3 Termination of this Agreement shall be construed as a termination of all Sublicenses hereunder.

11.6.4 CaspianTern shall have the right (including a reversion of all rights previously licensed to Hansoh hereunder for which the relevant licenses have terminated) to Exploit Licensed Products itself or with or through an Affiliate or one or more Third Parties in the Field in the Territory, and shall have the right, without obligation to Hansoh, to take any such actions in connection with such activities as CaspianTern (or its designee), at its discretion, deems appropriate.

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11.6.5 Wind-Down. Hansoh will (i) responsibly wind-down, in accordance with accepted pharmaceutical industry norms and ethical practices, any on-going clinical trials for which it has responsibility hereunder in which patient dosing has commenced or, (ii) at CaspianTern's reasonable request, (A) transfer to CaspianTern or its designee such clinical trial to the extent permitted under Applicable Laws and accepted pharmaceutical industry norms and ethical practices, or (B) if reasonably practicable and not adverse to patient safety, complete such clinical trials and CaspianTern shall reimburse Hansoh its reasonable, out-of-pocket costs associated therewith.

11.6.6 Regulatory Materials; Data. Upon CaspianTern's written request, [***], and terms and conditions based on the [***], [***], Hansoh shall (i) provide, assign and transfer to CaspianTern or its designee all Regulatory Materials, including Regulatory Approvals, for the Licensed Products to the extent possible under Applicable Law in the Territory, (ii) provide to CaspianTern all data, including pharmacovigilance data, generated by or on behalf of Hansoh or its Affiliates or Sublicensees pursuant to activities conducted under this Agreement, and (iii) promptly return or destroy, at CaspianTern's election, all Confidential Information of CaspianTern.

11.6.7 Trademarks. Upon CaspianTern's written request and [***], Hansoh shall grant to CaspianTern, [***], an [***] license to use any trademark owned or Controlled by Hansoh in connection with the commercialization of Licensed Products in the Territory (and excluding any trademarks that are associated with Hansoh's name or identity).

11.6.8 Transition Assistance. Upon CaspianTern's reasonable request [***], (i) Hansoh shall assign (to the extent Hansoh has rights to assign) or use Commercially Reasonable Efforts to amend as appropriate any agreements or arrangements Hansoh or its Affiliate have with any Third Party for the Exploitation of Licensed Products; and (ii) Hansoh shall provide CaspianTern with copies of any promotional and marketing materials generated by or on behalf of Hansoh, its Affiliates or Sublicensees with respect to Licensed Products prior to the effective date of termination.

11.6.9 If Hansoh elects to terminate this Agreement pursuant to Section 11.5, the following sections shall apply:

(a) Promptly following CaspianTern's receipt of the Change of Control Termination Notice, CaspianTern and Hansoh shall negotiate the terms of an assignment from CaspianTern to Hansoh of all CaspianTern's right, title, and interest in and to the Licensed Compounds and Licensed Products and all intellectual property rights therein, solely in the Territory (the "Assigned Assets). In consideration of such assignment, Hansoh shall pay to CaspianTern the fair market value of the Assigned Assets as determined in accordance with Section 11.6.9 (b).

(b) Following the delivery of the Change of Control Termination Notice, the Parties shall negotiate in good faith the fair market value of the Assigned Assets. If the Parties do not come to an agreement as to the fair market value within [***], the fair market value of the Assigned Assets shall be determined by [***] appraisers, [***]. Each such appraiser shall independently make a determination of the fair market value of Licensed Compounds and Licensed Products in Territory within [***] after the appointment of all such appraisers, and the

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fair market value shall be determined by [***]. The determination of the fair market value of the Assigned Assets made pursuant to this Section 11.6.9 (b) shall be conclusive and binding on the Parties.

(c) Upon the determination of the fair market value of the Assigned Assets, Hansoh and CaspianTern will enter into a definitive agreement (the "Assignment Agreement") which provides for the assignment of the Assigned Assets to Hansoh in exchange for a payment equal to the fair market value of the Assigned Assets (as determined in accordance with 11.6.9(b).

ARTICLE 12
GENERAL PROVISIONS

12.1 Force Majeure. Neither Party shall be held liable to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in performing any obligation under this Agreement to the extent such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party, potentially including, but not limited to, embargoes, war, acts of war (whether war has been declared or not), acts of terrorism, insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, fire, floods, or other acts of God, or acts, omissions or delays in acting by any governmental authority or the other Party. The affected Party shall notify the other Party of such force majeure circumstances as soon as reasonably practical and shall promptly undertake all reasonable efforts necessary to cure such force majeure circumstances. Notwithstanding the foregoing, a Party shall not be excused from making payments owed hereunder because of a force majeure affecting such Party. If a force majeure persists for more than [***], then the Parties will discuss in good faith the modification of the Parties' obligations under this Agreement in order to mitigate the delays caused by such force majeure.

12.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws and jurisdiction of the State of New York, USA, without reference to its conflict of laws principles, and shall not be governed by the United Nations Convention of International Contracts on the Sale of Goods (the Vienna Convention).

12.3 Dispute Resolution. The Parties shall meet and discuss in good faith and use reasonable efforts to settle any dispute, controversy or claim arising from or related to this Agreement or the breach thereof. If the Parties do not fully settle any dispute, controversy or claim arising out of or relating to this Agreement, its negotiations, execution or interpretation, or the performance by either Party of its obligations under this Agreement (other than any bona fide Third Party action or proceeding filed or instituted in an action or proceeding by a Third Party against a Party to this Agreement), whether before or after termination of this Agreement, shall be finally resolved by binding arbitration. Whenever a Party shall decide to institute arbitration proceedings, it shall give prompt written notice to that effect to the other Party. Any such arbitration shall be conducted in the English language under the International Dispute Resolution Procedures and Arbitration Rules of the American Arbitration Association (the "***Rules***") by a panel of [***)] arbitrators appointed in accordance with the Rules. Any such arbitration shall be held in Hong Kong, in accordance with the rules of the Hong Kong International Arbitration Center ("HKIAC"). The arbitrators shall have the authority to grant specific performance and to

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allocate between the Parties the costs of arbitration (including attorneys' fees and expenses of the Parties) in such equitable manner as they determine. Judgment upon the award so rendered may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be. In no event shall a demand for arbitration be made after the date when institution of a legal or equitable proceeding based upon such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Notwithstanding the foregoing, either Party shall have the right, without waiving any right or remedy available to such Party under this Agreement or otherwise, to seek and obtain from any court of competent jurisdiction any interim or provisional relief that is necessary or desirable to protect the rights or property of such Party, pending the selection of the arbitrators hereunder or pending the arbitrators' determination of any dispute, controversy or claim hereunder.

12.4 Assignment. Neither Party may assign or transfer this Agreement or any rights or obligations hereunder without the prior written consent of the other Party, except that a Party may assign this Agreement or any rights or obligations hereunder without such consent to its Affiliate or its successor in interest by way of merger, acquisition, or sale of all or substantially all of its assets. Any Party making a permitted assignment shall give the other Party a prompt written notice of such assignment. Any permitted assignment shall be binding on the successors, heirs, and assigns of the assigning Party. Any assignment in violation of this Section 12.4 shall be null and void.

12.5 Publicity – Use of Name. Neither Party shall be permitted to use the name, or any proprietary trademarks, trade names, trade dress or logos ("***Marks***") of the other Party, or its Affiliates, or its Sublicensees, in any publicity, promotion, news release or public disclosure relating to this Agreement or its subject matter, without the prior express written permission of the other Party.

12.6 Severability. If any provision of this Agreement is held to be invalid or unenforceable by an arbitrator or any court of competent jurisdiction from which no appeal can be or is taken, the provision shall to that extent be considered severed from this Agreement, and the remainder of this Agreement will remain in full force and effect. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the Parties' original goals and interests when entering this Agreement may be realized and protected.

12.7 Waiver. Neither Party may waive or release any of its rights or interests in this Agreement except in writing. 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. Any waiver by a Party of a particular breach or default by the other Party shall not operate or be construed as a waiver of any subsequent breach or default by the other Party.

12.8 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

12.9 Waiver of Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

12.10 Agency. Neither Party is, nor will be deemed to be an employee, agent, or representative of the other Party for any purpose. Each Party is an independent contractor, not an employee or partner of the other Party. Neither Party shall have the authority to speak for, represent, or obligate the other Party in any way without prior written authority from the other Party.

12.11 Exhibits. All Exhibits to this Agreement shall form an integral part of this Agreement.

12.12 Entire Understanding. This Agreement contains the entire understanding between the Parties hereto with respect to its subject matter and supersedes any and all prior agreements, understandings and arrangements, whether written or oral.

12.13 Amendments. No amendments of the terms and conditions of this Agreement shall be binding upon either Party hereto unless in writing and signed by both Parties.

12.14 Interpretation. This Agreement has been prepared jointly by the Parties and shall not be strictly construed against either Party. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision. The headings of each Article and Section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular Article or Section. Except where the context otherwise requires, the use of any gender shall be applicable to all genders, and the word “or” is used in the inclusive sense (and/or). The term “including” or “includes” as used herein means including or includes, without limiting the generality of any description preceding such term. All references in this Agreement to the singular shall include the plural where applicable.

12.15 Counterparts. This Agreement may be executed in one or more counterparts, each of which is an original, and all of which together constitute only one agreement between the Parties. The signatures of all the Parties do not need to be on the same counterpart for it to be effective. Delivery of an executed counterpart’s signature page of this Agreement, by electronic mail in portable document format (.pdf) or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, has the same effect as delivery of an executed original of this Agreement.

12.16 Notices. Any consent, notice or report required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by electronic transmission (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to CaspianTern:

CaspianTern LLC
c/o Terns Inc. 1065 E Hillsdale Blvd, Suite 100
Foster City, CA 94404
Attn: ***
Email: ***

With a copy to (which will not constitute notice):

Fenwick & West LLP 801 California Street
Mountain View, CA 94041 USA
Attn: ***
Email: ***

If to Hansoh:

Hansoh Pharmaceutical Group Company Limited
c/o Hansoh Bio LLC 9605 Medical Center Dr, #325
Rockville, MD 20850
Attn: ***
Email: ***
***

With a copy to (which will not constitute notice):

Greenberg Traurig LLP
One International Place, Suite 2000
Boston, MA 02110
Attention: ***
Email: ***

or to such other address(es) as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by electronic transmission on a business day (or if delivered or sent on a non-business day, then on the next business day); (b) on the business day after dispatch if sent by nationally-recognized overnight courier; or (c) on the fifth (5th) business day following the date of mailing, if sent by mail.

[*signature page follows*]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date.

HANSOH (SHANGHAI) HEALTHTECH CO., LTD.

By: /s/ Aifeng Lyu
Name: Aifeng Lyu
Title: President

JIANGSU HANSOH PHARMACEUTICAL GROUP COMPANY LTD.

By: /s/ Aifeng Lyu
Name: Aifeng Lyu
Title: President

CaspianTern LLC

By: _____
Name:
Title:

Terns, Inc.

By: _____
Name:
Title:

Terns Pharmaceuticals, Inc.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date.

HANSOH (SHANGHAI) HEALTHTECH CO., LTD.

By: _____
Name:
Title:

JIANGSU HANSOH PHARMACEUTICAL GROUP COMPANY LTD.

By: _____
Name:
Title:

CaspianTern LLC

By: /s/ Weidong Zheng
Name: Weidong Zheng
Title: CEO

Terns, Inc.

By: /s/ Weidong Zheng
Name: Weidong Zheng
Title: CEO

Terns Pharmaceuticals, Inc.

By: /s/ Weidong Zheng
Name: Weidong Zheng
Title: CEO

Exhibit A

[***]

[***] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

Exhibit B

Licensed Patent Rights

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Exhibit C

Joint Press Release

Terns Pharmaceuticals and Hansoh Pharma Announce Collaboration and License Agreement for TRN-000632 in Greater China

-TRN-000632 is a potent allosteric inhibitor of BCR-ABL in development for the treatment of CML-

- Terns is eligible to receive an upfront fee and milestone payments of up to $68 million plus royalties on future product sales-

-Preclinical and clinical studies evaluating TRN-000632 to be conducted in the partnership-

FOSTER CITY, CA, and SHANGHAI, July [ ], 2020 – Terns Pharmaceuticals, Inc., a global biopharmaceutical company focused on discovering and developing innovative therapies to treat liver disease and cancer, and Hansoh Pharmaceutical Group Company Limited ("Hansoh Pharma"; 3692:HK), a leading biopharmaceutical company in Asia, today announced a collaboration and license agreement for the development and commercialization of TRN-000632, an investigational small molecule allosteric inhibitor of BCR-ABL for the treatment of chronic myeloid leukemia (CML), in Greater China.

Under the terms of the agreement, Terns will receive an upfront payment and will be eligible to receive development, regulatory and commercial milestones of up to $68 million, as well as royalties from future product sales. Hansoh will receive the exclusive rights to develop and commercialize TRN-000632 in Greater China. Terns retains the right to develop and commercialize TRN-000632 in all other global markets.

"This collaboration was a natural fit for TRN-000632, bringing together Hansoh's experience as an established leader in CML treatment in China with Terns' deep expertise in novel drug discovery," said Martijn Fenaux, Ph.D., Head of Research at Terns. "While tyrosine kinase inhibitors (TKIs) have been life-changing for many patients with CML, for many, tolerability and resistance issues remain a barrier to better outcomes. Because TRN-000632 binds an allosteric pocket unique to the mutant BCR-ABL, it is highly selective to a target that is distinct from that of currently available BCR-ABL TKIs, leading to an enhanced efficacy and overcoming difficult-to-treat acquired resistance. We look forward to the partnership with Hansoh and their support of the research and development efforts for TRN-000632."

"We are excited to announce this partnership with Terns to rapidly deliver a valuable new therapy to patients in China, where CML incidence is a growing burden and resistance issues are a barrier to enduring efficacy for a significant number of patients," said Rudi Bao, M.D. Ph.D., SVP of Hansoh R&D. "We look forward to working with Terns and to advancing the development of the program as rapidly as possible."

About Terns Pharmaceuticals

Terns Pharmaceuticals, Inc. is a clinical-stage pharmaceutical company that is focused on the discovery and development of medicines for chronic liver disease and cancer. Based in China and the United States, the company is advancing a pipeline of drug candidates for the treatment of non-alcoholic steatohepatitis (NASH), primary biliary cholangitis (PBC), and cancer, across multiple modalities. Terns leverages world class expertise in disease biology, medicinal chemistry, and clinical development in order to bring promising new therapies to patients.

For more information, visit www.ternspharma.com and www.ternspharma.com.cn

About Hansoh Pharmaceutical Group Company Limited

Hansoh Pharma (3692.HK), a leading biopharmaceutical company in Asia, is committed to discovering and developing life-changing medicines to help patients conquer serious diseases and disorders. Hansoh Pharma is supported by over 9,000 dedicated employees in China and the United States.

Founded in 1995, Hansoh has fully integrated research and development, manufacturing, and commercial capabilities, supporting leading positions in oncology, central nervous system (CNS) disorders, infectious diseases, gastrointestinal disorders, diabetes, and autoimmune diseases, among others in China. With over 1,200 professionals across R&D, Hansoh has successfully developed multiple internally discovered drug candidates into NMPA-approved innovative medicines including morinidazole (迈灵达®), a third-generation nitroimidazole antibiotic; PEG-loxenatide (孚来美®), the first once-weekly long-acting GLP-1 analogue discovered and developed in China for the treatment of diabetes; flumatinib (昕福®), a second-generation BCR-ABL inhibitor for frontline treatment of CML; and almonertinib (阿美乐®), a third-generation EGFR inhibitor for the treatment of NSCLC with EGFR mutations.

For more information, please visit www.hspharm.com

CONTACT

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Paul Lu
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Investor Relations
Sophia Dong
IR@hspharm.com

Exhibit 21.1

Subsidiaries of Terns Pharmaceuticals, Inc.

Legal Name of Subsidiary	Jurisdiction of Organization
CaspianTern LLC	Delaware
Terns China Biotechnology Co., Ltd	People's Republic of China
Terns, Inc.	Delaware
Terns Pharmaceutical HongKong Limited	Hong Kong
Terns (Suzhou) Biotechnology Co., Ltd.	People's Republic of China

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 November 10, 2020, in the Registration Statement (Form S-1) and related Prospectus of Terns Pharmaceuticals, Inc for the registration of shares of its common stock.

/s/ Ernst & Young LLP

San Jose, California

January 15, 2021