Confidential Draft No. 2 confidentially submitted to the Securities and Exchange Commission on August 18, 2015.
This draft registration statement has not been publicly filed with the Securities and Exchange Commission and all information herein remains strictly confidential.
Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

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

Delaware	**2834**	**20-3828755**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

10421 Pacific Center Court, Suite 200
San Diego, CA 92121
(858) 362-6295
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Hamza Suria
Chief Executive Officer
AnaptysBio, Inc.
10421 Pacific Center Court, Suite 200
San Diego, CA 92121
(858) 362-6295
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Effie Toshav, Esq. **Matthew S. Rossiter, Esq.** **Robert A. Freedman, Esq.** **Fenwick & West LLP** **555 California Street** **San Francisco, CA 94104** **(415) 875-2300**	**Charles S. Kim, Esq.** **Robert W. Phillips, Esq.** **Sean M. Clayton, Esq.** **Cooley LLP** **4401 Eastgate Mall** **San Diego, CA 92121** **(858) 550-6000**

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

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

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

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

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Proposed maximum aggregate offering price(1)(2)**	**Amount of registration fee**
Common stock, $0.001 par value per share	$	$

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.
(2) Includes the offering price of additional shares that the underwriters have the option to purchase.

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

Preliminary Prospectus *Subject to Completion, dated , 2015*

Shares

AnaptysBio, Inc.
Common Stock
$ Per Share

This is the initial public offering of shares of our common stock. We are offering shares of our common stock. We anticipate that the initial public offering price of our common stock will be between $ and $ per share.

Prior to this offering, there has been no public market for our common stock. We intend to list our common stock on the NASDAQ Global Market under the symbol "ANAB."

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

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 12 of this prospectus.

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

(1) We refer you to "Underwriting" beginning on page 146 of this prospectus for additional information regarding total underwriter compensation.

To the extent the underwriters sell more than shares of common stock, the underwriters have the option for a 30-day period to purchase up to an additional shares from us at the initial public offering price less the underwriting discount.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to the purchasers on or about , 2015.

Joint Book-Running Managers

BMO Capital Markets **Stifel**

Co-Managers

JMP Securities **Wedbush PacGrow**

Prospectus dated , 2015.

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We have not, and the underwriters have not, authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. 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 is current only as of its date.

Through and including , 2015 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Persons who come into possession of this prospectus and any applicable free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes thereto and the information set forth under the sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case included in this prospectus. Unless the context otherwise requires, we use the terms "AnaptysBio," "company," "we," "us" and "our" in this prospectus to refer to AnaptysBio, Inc. and our subsidiary.

Overview

We are a biotechnology company developing first-in-class antibody product candidates focused on unmet medical needs in inflammation and immuno-oncology. We develop our product candidates using our proprietary antibody discovery technology platform, which is designed to replicate, *in vitro*, the natural process of antibody generation. Our platform is based upon a breakthrough understanding of somatic hypermutation, the key biological process utilized to generate antibodies, which enables us to rapidly develop highly functional antibody drug candidates against emerging biological targets. Our most advanced, wholly-owned programs, ANB020 and ANB019, are being developed to treat severe inflammatory disorders with unmet medical need. In 2016, we plan to initiate clinical trials of ANB020, an antibody that inhibits the activity of interleukin-33 for the treatment of severe adult asthma and severe adult peanut allergy, and ANB019, an antibody that inhibits the interleukin-36 receptor for the treatment of rare inflammatory diseases called generalized pustular psoriasis (GPP) and palmo-plantar pustular psoriasis (PPP). Our company is led by a strong management team with a proven track record of successfully growing biotechnology companies with deep experience in antibody discovery and development, collaborations, operations and corporate finance. Our investors include Biotechnology Value Fund, Cormorant Asset Management, Frazier Healthcare, HBM Partners, Longwood Capital Partners and Novo A/S.

Additionally, we have entered into multiple collaborations from which we expect four programs will enter the clinic by the end of 2016. Our collaborations include an immuno-oncology-focused collaboration with TESARO, Inc. and TESARO Development, Ltd., or collectively, TESARO, and an inflammation-focused collaboration with Celgene Corporation, or Celgene. Through July 31, 2015, we have received non-dilutive funding of $48.7 million from our collaborators.

Our Product Candidates

We have developed, and will continue to develop, antibody product candidates that leverage emerging insights into biological mechanisms to treat severe diseases with unmet medical need. The following table summarizes certain key information about our wholly-owned and partnered product candidates:

	Therapeutic Area	Antibody Target(s)	Current Status	Clinical Indications	Commercial Rights
Wholly-Owned Programs	Inflammation	IL-33 antagonist (ANB020)	Preclinical development	Asthma and allergy	AnaptysBio
		IL-36R antagonist (ANB019)	Preclinical development	GPP and PPP	
		Checkpoint agonist	Lead selection	Inflammation	
	Immuno-Oncology	Checkpoint antagonist	Lead selection	Oncology	AnaptysBio
		Checkpoint antagonist	Lead selection		
Partnered Programs	Inflammation	Undisclosed	Preclinical development	Inflammation	Celgene
		Undisclosed	Preclinical development		
	Immuno-Oncology	PD-1 antagonist (TSR-042)	Preclinical development	Oncology	TESARO
		TIM-3 antagonist	Preclinical development		
		LAG-3 antagonist	Preclinical development		
		PD-1/TIM-3 bispecific antagonist	Lead selection		
		PD-1/LAG-3 bispecific antagonist	Lead selection		
		Bispecific antagonist of two undisclosed checkpoints	Lead selection		

Our most advanced, wholly-owned product candidates are summarized below:

- **ANB020** is an antibody that inhibits the activity of interleukin-33, or IL-33, a pro-inflammatory cytokine that multiple studies have indicated is a central mediator of atopic diseases, including asthma, food allergies and atopic dermatitis. IL-33 acts on several cell types, including white blood cells that initiate and orchestrate atopic responses. IL-33 also directly mediates release of disease-associated cytokines, which recruit pro-inflammatory cells that mediate atopic disease. Because ANB020 inhibits IL-33 function, and acts upstream broadly across the key cell types and cytokines involved in atopy, we believe that its mechanism has advantages in the treatment of atopic diseases over competing agents that block only a subset of the cytokines responsible for atopic diseases. We believe ANB020 is potentially the first-in-class therapy targeting IL-33. We anticipate filing an Australian Clinical Trial Notification, or CTN, for ANB020 during the fourth quarter of 2015, the approval of which would allow us to commence clinical trials in Australia. We plan to commence a Phase 1 healthy volunteer trial in Australia in early 2016, followed by patient trials in severe adult asthma and severe adult peanut allergy in other countries, including the United States after submitting an Investigational New Drug application, or IND, to the U.S. Food and Drug Administration, or FDA. We estimate, based on our analysis of publicly available data sources and interviews with physicians and key opinion leaders in the field, that asthma affects approximately 7.7% of the adult U.S. population, or approximately 19.0 million individuals, of which 19%, or approximately 3.6 million have severe, persistent occurrence of this respiratory disease. Peanut allergy is the most common cause of food-induced allergy in the United States. Based on our analysis, we estimate approximately 1.7 million adults are affected by peanut allergy, of which approximately 600,000 are treated by allergists and approximately 400,000 are at risk for severe reactions and therefore we believe are suitable for treatment with systemic biological therapies.

- **ANB019** is an antibody that inhibits the function of the interleukin-36-receptor, or IL-36R, which we are initially developing as a potential first-in-class therapy for GPP patients. GPP is a life-threatening, rare, systemic inflammatory disorder that, based on our analysis of publicly available data sources and interviews with physicians and key opinion leaders in the field, we estimate affects approximately 3,000 patients in the United States with no approved therapies. Studies have shown that GPP is associated with mutations that lead to abnormally high signaling through the IL-36R, which we believe can be addressed by treatment with ANB019. We believe ANB019 is the most advanced therapeutic antibody targeting the IL-36R in development. We anticipate filing an Australian CTN for ANB019 during the second half of 2016, the approval of which would allow us to initiate Phase I trials in Australia during the second half of 2016. We plan to subsequently develop ANB019 in the United States after submitting an IND to the FDA and to seek FDA Orphan Drug Designation for the treatment of GPP and PPP. The FDA may grant Orphan Drug Designation to a drug intended to treat a disease or condition, that generally affects fewer than 200,000 individuals in the United States.

Our SHM-XEL Platform

Our approach to developing novel therapeutic antibody product candidates relies upon somatic hypermutation, or SHM, a critical, endogenous process that generates the essential antibody diversity required to develop a natural immune response to pathogens. Our proprietary antibody generation platform, called SHM-XEL, is designed to replicate the natural process of SHM *in vitro.* Competing antibody discovery technologies include mouse immunization methodologies, microbial antibody display and human B-cell screening. We believe SHM-XEL overcomes several key limitations associated with these competing technologies and has the following competitive advantages:

- **Diversity against difficult targets.** By applying SHM without the constraints of an *in vivo* environment we are able to generate an unprecedented diversity of antibodies. This enables us to develop antibodies against human targets that we believe have not otherwise been accessible to other technologies.
- **High potency.** Because our platform generates highly-potent antibodies, we are potentially able to modulate every extracellular target associated with human disease, and believe only small therapeutic doses may be required to mediate therapeutic effect *in vivo*.
- **Functional activity selection.** Our mammalian cell system simultaneously displays and secretes antibodies during the antibody discovery process, allowing us to incorporate functional assays throughout the process and focus on product candidates that are optimized for the desired therapeutic activity.
- **Speed.** Our platform technology enables us to generate therapeutic-grade antibodies and initiate subsequent preclinical manufacturing and toxicology studies, typically in less than 12 months. We believe this timeline is significantly shorter than conventional approaches based upon mouse immunization and microbial display systems.
- **Manufacturability.** By utilizing our mammalian cell display system, we believe our approach increases the probability of success in manufacturing and commercialization by mitigating risks associated with antibody expression, formulation and stability during the antibody generation process.
- **Bispecific antibodies.** Our novel approach for the generation of bispecific antibodies leverages SHM to combine two therapeutic mechanisms into a single natural antibody molecule.

Our Collaborations

We have established collaborations with pharmaceutical and biotechnology companies that have provided us with $48.7 million in payments through July 31, 2015. In addition to our wholly-owned antibody programs, we are developing antibody product candidates for immuno-oncology and inflammation targets through strategic collaborations. Our collaborations with TESARO and Celgene are described below:

TESARO Programs

Under our March 2014 immuno-oncology collaboration with TESARO, we have granted exclusive rights to TESARO to develop and commercialize antibodies generated using our SHM-XEL platform consisting of the following antibody product candidates:

- *Anti-PD-1 Monospecific Antagonist Antibody (TSR-042)*: currently in preclinical development with an IND submission anticipated in the fourth quarter of 2015 and first-in-human dosing in early 2016;
- *Anti-TIM-3 Monospecific Antagonist Antibody*: currently in preclinical development;
- *Anti-LAG-3 Monospecific Antagonist Antibody*: currently in preclinical development;
- *Anti-PD-1/TIM-3 Bispecific Antagonist Antibody*: currently in lead selection process;
- *Anti-PD-1/LAG-3 Bispecific Antagonist Antibody*: currently in lead selection process; and
- *Undisclosed Bispecific Antagonist Antibody*: currently in lead selection process.

Celgene Programs

Under our December 2011 collaboration with Celgene, we developed therapeutic antibodies against multiple targets. We granted Celgene the option to obtain worldwide commercial rights to antibodies generated against each of the targets under the agreement, which option was triggered on a target-by-target basis by our delivery of antibodies meeting certain pre-specified parameters pertaining to each target under collaboration. We successfully delivered antibodies against three targets. Celgene is currently advancing two anti-inflammatory antibody programs to the clinic.

Our Strategy

We are a leading antibody development company with a pipeline of novel therapeutic antibodies, which is being further expanded by applying our technology platform to emerging biological targets. The key elements of our strategy include:

- **Advancing our lead product candidates into the clinic.** We plan to initiate a Phase 1 healthy volunteer trial for ANB020 in early 2016, followed by trials in severe adult asthma and severe adult peanut allergy patients. We plan to initiate a Phase 1 healthy volunteer trial for ANB019 during the second half of 2016, followed by a registration study in GPP patients. For both ANB020 and ANB019, we plan to conduct our initial clinical trials in Australia, and to then conduct further clinical development in the United States and other countries. We have elected to pursue this strategy in order to benefit from Australia's rapid regulatory review processes for first-in-human studies and from certain financial incentives that Australia makes available for biotechnology research and development, and because we believe that clinical data generated in Australia will subsequently be accepted by the FDA and its foreign equivalents outside of Australia.
- **Identifying emerging opportunities in key therapeutic areas.** We intend to remain at the forefront of discovery and development of new therapeutic opportunities in inflammation and immuno-oncology by understanding and translating biological breakthroughs into first-in-class therapeutic antibodies. Our

approach includes assessment of human genetics and tissue pathology to understand the relevance of emerging targets to patients with unmet medical needs. We plan to leverage this knowledge to create new product candidates and position our current and future programs for rapid clinical proof-of-concept achievement.

- **Continuing to expand our proprietary pipeline by generating new product candidates using our technology platform.** Using our proprietary antibody generation platform, we are able to rapidly develop novel therapeutic antibodies against emerging targets. Our goal is to advance one or more wholly-owned new therapeutic antibody program to an IND submission to the FDA, or foreign equivalent, each year.
- **Retaining rights to strategic products in key commercial markets.** We intend to retain ownership and control of our pipeline programs to key inflection points. We may build sales and marketing capabilities in selected specialty markets that we believe can be served with a focused commercial organization. For certain programs, we plan to seek strategic collaborations that provide us with funding, infrastructure and marketing resources to advance through development and commercialization.

Risks Affecting Us

Our business is subject to a number of risks and uncertainties, including those highlighted in the section titled “Risk Factors” immediately following this prospectus summary. These risks include, among others, the following:

- Our product candidates are in early stages of development and may fail in development or suffer delays that adversely affect their commercial viability. If we or our collaborators are unable to complete development of or commercialize our product candidates or experience significant delays in doing so, our business will be materially harmed.
- We and/or our collaborators may be unable to obtain, or may be delayed in obtaining, required regulatory approvals in the United States or in foreign jurisdictions, which would materially impair our ability to commercialize and generate revenue from our product candidates.
- We may not be successful in our efforts to use and expand our technology platform to build a pipeline of product candidates and develop marketable products.
- We have no history of conducting clinical trials or commercializing biotechnology products, which may make it difficult to evaluate the prospects for our future viability.
- We have never dosed any of our product candidates in humans. Our planned clinical trials or those of our collaborators may reveal significant adverse events, toxicities or other side effects not seen in our preclinical studies and may result in a safety profile that could inhibit regulatory approval or market acceptance of any of our product candidates.
- We face significant competition, and if our competitors develop and market products that are more effective, safer or less expensive than our product candidates, our commercial opportunities will be negatively impacted.
- Our existing collaborations, including those with TESARO and Celgene, are important to our business, and future collaborations may also be important to us. If we are unable to maintain any of these collaborations, or if these collaborations are not successful, our business could be adversely affected.
- The manufacture of biologics is complex and our third-party manufacturers may encounter difficulties in production. If any of our third-party manufacturers encounter such difficulties, our ability to provide supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or stopped.

- We have limited operating revenue and a history of operational losses and may not achieve or sustain profitability. We have no products approved for commercial sale, and to date we have not generated any revenue or profit from product sales.
- We will require additional capital to finance our operations, which may not be available to us on acceptable terms, or at all. As a result, we may not complete the development and commercialization of our product candidates or develop new product candidates.
- Our executive officers, directors, current 5% or greater stockholders and entities affiliated with any of them, together will own % of our common stock based on the number of shares outstanding as of June 30, 2015; the concentration of our capital stock ownership will likely limit your ability to influence corporate matters.

Corporate Information

We were incorporated under the laws of the State of Delaware in November 2005. Our principal executive offices are located at 10421 Pacific Center Court, Suite 200, San Diego, California 92121, and our telephone number is (858) 362-6295. Our website address is www.anaptysbio.com. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated by reference into, this prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock.

The mark “AnaptysBio” is our common law trademark. All other service marks, trademarks and trade names appearing in this prospectus are the property of their respective owners.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, enacted in April 2012. An “emerging growth company” may take advantage of reduced reporting requirements that are otherwise applicable to public companies. These provisions include, but are not limited to:

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

We may use these provisions until the last day of our fiscal year following the fifth anniversary of the closing of this offering. However, if certain events occur prior to the end of such five-year period, including if we become a “large accelerated filer,” our annual gross revenues exceed $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of certain of the reduced disclosure obligations in the registration statement of which this prospectus is a part and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

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. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

The Offering

Shares of common stock offered by us	shares.
Option to purchase additional shares to be offered by us	shares.
Shares of common stock to be outstanding immediately after this offering	shares (shares if the underwriters exercise their option to purchase additional shares in full).
Voting rights	Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. See "Description of Capital Stock."
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million (or approximately $ million if the underwriters exercise their option to purchase additional shares in full), based upon the assumed initial offering price of $ per share, which is the midpoint of the estimated offering 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 intend to use the net proceeds that we receive in this offering for product discovery and development and general corporate purposes. We may use a portion of the proceeds to acquire other complementary businesses or technologies. See "Use of Proceeds" for a more complete description of the intended use of proceeds from this offering.
Risk factors	You should read the "Risk Factors" section of this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Proposed NASDAQ Global Market symbol	"ANAB"

The number of shares of our common stock to be outstanding after this offering is based on 98,456,544 shares of our common stock outstanding as of June 30, 2015, and gives effect to the sale and issuance of 38,436,851 shares of Series D convertible preferred stock at a price of $1.06 per share in a private placement by us in July 2015.

The number of shares of our common stock to be outstanding after this offering excludes:

- 8,657,422 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2015, with a weighted-average exercise price of $0.1870 per share;
- 5,496,050 shares of common stock issuable upon the exercise of options granted between June 30, 2015 and August 17, 2015, with an exercise price of $0.99 per share;

- shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of (a) 3,176,670 shares of common stock reserved for future issuance under our 2006 Equity Incentive Plan as of August 17, 2015, (b) shares of common stock reserved for future issuance under our 2015 Equity Incentive Plan, which will become effective on the date immediately prior to the date of this prospectus and (c) shares of common stock reserved for future issuance under our 2015 Employee Stock Purchase Plan, which will become effective on the date of this prospectus. Upon closing of this offering, any remaining shares available for issuance under our 2006 Equity Incentive Plan will be added to the shares reserved under our 2015 Equity Incentive Plan and we will cease granting awards under our 2006 Equity Incentive Plan. Our 2015 Equity Incentive Plan and 2015 Employee Stock Purchase Plan also provide for automatic annual increases in the number of shares reserved under the plans each year, as more fully described in "Executive Compensation—Employee Benefit and Stock Plans;"
- 822,386 shares of our common stock issuable upon exercise of warrants for shares of common stock with an exercise price of $0.65 per share, that do not expire upon the closing of this offering; and
- 2,063,484 shares of common stock issuable upon the exercise of warrants to purchase shares of our Series C convertible preferred stock that were outstanding as of June 30, 2015, with an exercise price of $0.65 per share, that do not expire upon the closing of this offering.

Except as otherwise indicated, all information in this prospectus assumes:

- the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2015 into an aggregate of 42,208,202 shares of common stock immediately prior to the closing of this offering;
- the automatic conversion of 38,436,851 shares of Series D convertible preferred stock into 38,436,851 shares of common stock immediately prior to the closing of this offering;
- a -for- reverse stock split, which will become effective prior to the completion of this offering;
- the effectiveness of our restated certificate of incorporation in connection with the closing of this offering;
- no exercise of outstanding stock options or warrants subsequent to June 30, 2015; and
- no exercise of the underwriters' option to purchase additional shares.

Summary Consolidated Financial Data

The summary statements of operations data presented below for the years ended December 31, 2013 and 2014 are derived from our audited financial statements included elsewhere in this prospectus. The summary consolidated statements of operations data for the six months ended June 30, 2014 and 2015 and our consolidated balance sheet data as of June 30, 2015 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements were prepared on a basis consistent with our audited financial statements and reflect, in the opinion of management, all adjustments of a normal recurring nature that are necessary for the fair presentation of the financial statements. The following summary consolidated financial data should be read with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in any future period, and the results for the six months ended June 30, 2015 are not necessarily indicative of results to be expected for the full year. The summary financial data in this section are not intended to replace the financial statements and are qualified in their entirety by the financial statements and related notes included elsewhere in this prospectus.

(in thousands, except per share data)	Year Ended December 31, 2013	Year Ended December 31, 2014	Six Months Ended June 30, 2014	Six Months Ended June 30, 2015
			(unaudited)	
Consolidated Statements of Operations Data:				
Collaboration revenue	$ 5,483	$15,838	$ 5,979	$ 8,979
Operating expenses:				
Research and development	8,820	8,614	3,878	6,389
General and administrative	1,950	2,354	1,230	1,626
Total operating expenses	10,770	10,968	5,108	8,015
Income (loss) from operations	(5,287)	4,870	871	964
Other income (expense), net				
Interest expense	(886)	(1,281)	(1,270)	(229)
Change in fair value of liability for preferred stock warrants	627	(59)	(30)	(1,151)
Other income (expense)	1	2	1	(15)
Total other expense, net	(258)	(1,338)	(1,299)	(1,395)
Net income (loss)	(5,545)	3,532	(428)	(431)
Net income attributed to participating securities	—	(3,300)	—	—
Net income (loss) attributed to common stockholders	$ (5,545)	$ 232	$ (428)	$ (431)
Net income (loss) per common share:(1)				
Basic	$ (0.71)	$ 0.01	$ (0.02)	$ (0.02)
Diluted	$ (0.71)	$ 0.01	$ (0.02)	$ (0.02)
Weighted-average number of shares outstanding:(1)				
Basic	7,787	17,368	17,368	17,583
Diluted	7,787	18,627	17,368	17,583
Pro forma net income (loss) per common share (unaudited):(1)				
Basic		$ 0.06		$ (0.01)
Diluted		$ 0.06		$ (0.01)
Pro forma weighted-average number of shares outstanding (unaudited):(1)				
Basic		58,473		59,791
Diluted		59,732		59,791

(1) See Note 2 to our annual and interim consolidated financial statements for an explanation of the method used to calculate basic and diluted net income (loss) per common share, unaudited pro forma basic and diluted net income (loss) per common share and the weighted-average number of shares used in the computation of the per share amounts.

	As of June 30, 2015 (unaudited)		
(in thousands)	Actual	Pro Forma(1)	Pro Forma as Adjusted(2)(3)
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$16,894	$	$
Total assets	22,291		
Notes payable, current portion	634	634	634
Notes payable, noncurrent portion	4,214	4,214	4,214
Preferred stock warrant liabilities	1,720	—	—
Convertible preferred stock	36,828	—	—
Total stockholders' equity (deficit)	(30,975)		

(1) The pro forma consolidated balance sheet data give effect to: (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 42,208,202 shares of common stock immediately prior to the closing of this offering; (ii) the sale and issuance of 38,436,851 shares of our Series D convertible preferred stock in a private placement by us in July 2015; (iii) the automatic conversion of 38,436,851 shares of Series D convertible preferred stock into 38,436,851 shares of common stock immediately prior to the closing of this offering; and (iv) the related reclassification of the preferred stock warrant liability to additional paid-in capital upon the conversion of the shares of convertible preferred stock underlying the warrants that make up the liability.

(2) The pro forma as adjusted balance sheet data give effect to the pro forma adjustments and the sale of shares of common stock by us in this offering, based on an assumed initial public offering price of $ per share, the midpoint of the estimated 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) Each $1.00 increase (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 (decrease) each of our pro forma as adjusted cash and cash equivalents, total assets and total stockholders' equity (deficit) by approximately $ million, assuming that the number of shares offered by us, remains the same and after deducting estimated underwriting discounts and commissions. Similarly, each increase (decrease) of one million shares in the number of shares offered by us would increase (decrease) each of our pro forma as adjusted cash and cash equivalents, total assets and total stockholders' equity (deficit) by approximately $ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Before making your decision to invest in shares of our common stock, you should carefully consider the risks described below, together with the other information contained in this prospectus, including our financial statements and the related notes appearing at the end of this prospectus. We cannot assure you that any of the events discussed below will not occur. These events could have a material and adverse impact on our business, results of operations, financial condition and cash flows. If that were to happen, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Discovery and Development of Our Product Candidates

Our product candidates are in early stages of development and may fail in development or suffer delays that adversely affect their commercial viability. If we or our collaborators are unable to complete development of or commercialize our product candidates or experience significant delays in doing so, our business will be materially harmed.

We are using our proprietary technology platform to develop therapeutic antibodies, including our two lead wholly-owned product candidates, ANB019 and ANB020, as well as other programs that are being developed by our collaborators. However, all of our wholly-owned and partnered product candidates are in the early stages of development, and, for a wide variety of reasons discussed below, may fail in development or suffer delays that adversely affect their commercial viability.

A product candidate can unexpectedly fail at any stage of preclinical and clinical development. The historical failure rate for product candidates is high due to scientific feasibility, safety, efficacy, changing standards of medical care and other variables. The results from preclinical testing or early clinical trials of a product candidate may not predict the results that will be obtained in later phase clinical trials of the product candidate.

The success of our current product candidates, and any other product candidates we may develop in the future, will depend on many factors, including the following:

- obtaining regulatory permission to initiate clinical trials;
- successful enrollment of patients in, and the completion of, our planned clinical trials;
- receiving marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- obtaining and maintaining patent and trade secret protection and non-patent exclusivity for our product candidates and their components;
- enforcing and defending intellectual property rights and claims;
- achieving desirable therapeutic properties for our product candidates' intended indications;
- launching commercial sales of our product candidates, if and when approved, whether alone or in collaboration with third parties;
- acceptance of our product candidates, if and when approved, by patients, the medical community and third-party payors;
- effectively competing with other therapies; and
- maintaining an acceptable safety profile of our product candidates through clinical trials and following regulatory approval.

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

Furthermore, delays or difficulties in patient enrollment or difficulties in retaining trial participants can result in increased costs, longer development times or termination of a clinical trial. Clinical trials of a new product candidate require the enrollment of a sufficient number of patients, including patients who are suffering from the disease the product candidate is intended to treat and who meet other eligibility criteria. Rates of patient enrollment are affected by many factors, including the size of the patient population, the eligibility criteria for the clinical trial, the age and condition of the patients, the stage and severity of disease, the nature of the protocol, the proximity of patients to clinical sites and the availability of effective treatments for the relevant disease. We may not be able to initiate our planned clinical trials if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the U.S. Food and Drug Administration, or FDA, or foreign regulatory authorities. More specifically, some of our product candidates, including ANB019, initially target indications that are very rare, which can prolong the clinical trial timeline for the regulatory process if sufficient patients cannot be enrolled in a timely manner.

We and/or our collaborators may be unable to obtain, or may be delayed in obtaining, required regulatory approvals in the United States or in foreign jurisdictions, which would materially impair our ability to commercialize and generate revenue from our product candidates.

Our ability to continue to develop our product candidates, and to have the potential to achieve and sustain profitability, depends on the FDA and foreign regulatory authorities permitting us to conduct human clinical trials and, if our products are safe and effective, obtaining approval from the FDA and foreign regulatory authorities to market them and subsequently successfully commercializing them, either alone or with our collaborators. The research, testing, manufacturing, labeling, approval, selling, marketing and distribution of drug and biologic products are subject to extensive regulation by the FDA and foreign regulatory authorities. Before commencing clinical trials in the United States for any product candidate, we must submit an IND to the FDA; foreign regulatory authorities enforce similar requirements for initiation of clinical trials in other countries. An IND or foreign equivalent requires extensive preclinical studies, and there is no guarantee that the FDA or foreign regulatory authorities will allow clinical trials to proceed based on the IND or equivalent submission.

Even if we or our collaborators initiate and complete clinical trials for our product candidates, we will not be permitted to market our product candidates in the United States until we receive approval of a Biologics License Application, or BLA, from the FDA, and will not be permitted to market in other countries without marketing approval from foreign regulatory authorities. Obtaining approval of a BLA or other marketing approvals is often a lengthy, expensive and uncertain process over which the FDA and foreign regulatory authorities have substantial discretion. We have not yet discussed with the FDA or foreign regulatory authorities the development plans for any of our product candidates or the designs of any of our clinical or preclinical studies, and we thus do not have the benefit of the FDA's or foreign regulatory authorities' current thinking on trial designs or product development for our target indications. For example, although we believe a small pivotal trial, potentially with fewer than 100 patients, may be sufficient to demonstrate substantial evidence of efficacy of ANB019 in generalized pustular psoriasis, or GPP, patients who have IL-36RA genetic mutations, we have not yet discussed clinical trial design for this indication with the FDA, and the FDA may disagree with our proposed trial design, including the number of patients necessary to demonstrate efficacy and/or may require us to conduct more than one pivotal study in order to obtain approval of a BLA.

Preclinical studies and clinical trials are expensive, difficult to design and implement, can take many years to complete and are uncertain as to outcome. Products, on average, take ten to 15 years to be developed from the time they are discovered to the time they are approved and available for treating patients. The start or end of a clinical trial is often delayed or halted for many reasons, including:

- imposition of a clinical hold for safety reasons or following an inspection of our clinical trial operations or site by the FDA or other regulatory authorities;
- manufacturing challenges;
- insufficient supply or quality of product candidates or other materials necessary to conduct clinical trials;
- delays in reaching or failure to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites and contract research organizations, or CROs, or failure by such CROs or trials sites to carry out the clinical trial in accordance with our agreed-upon terms;
- clinical sites electing to terminate their participation in one of our clinical trials;
- inability or unwillingness of patients or medical investigators to follow our clinical trial protocols;
- required clinical trial administrative actions;
- slower than anticipated patient enrollment;
- changing standards of care;
- safety concerns;
- availability or prevalence of use of a comparative drug or required prior therapy; or
- clinical outcomes or financial constraints.

Our product candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining marketing approval or prevent or limit commercial use. Regulatory authorities may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical or other studies or clinical trials. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Moreover, regulatory authorities may determine that the clinical and other benefits of a product candidate do not outweigh the safety or other risks. Changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may also cause delays in or prevent the approval of an application.

If we experience any of the issues described above, or other similar or related issues, we may:

- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain marketing approval in some countries and not in others; obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings, including boxed warnings;
- be subject to additional post-marketing testing requirements; or
- have the product removed from the market after obtaining marketing approval.

We may not be successful in our efforts to use and expand our technology platform to build a pipeline of product candidates and develop marketable products.

Because we have limited financial and managerial resources, we focus on research programs and product candidates that we identify for specific indications. Our business depends on our successful development and commercialization of the limited number of internal product candidates we have in preclinical development. Even if we are successful in continuing to build our pipeline, development of the potential product candidates that we identify will require substantial investment in additional clinical development, management of clinical, preclinical and manufacturing activities, regulatory approval in multiple jurisdictions, obtaining manufacturing supply capability, building a commercial organization, and significant marketing efforts before we generate any revenue from product sales. Furthermore, such product candidates may not be suitable for clinical development, including as a result of their harmful side effects, limited efficacy or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. If we cannot validate our technology platform by successfully developing and commercializing product candidates based upon our technological approach, we may not be able to obtain product or partnership revenue in future periods, which would adversely affect our business, prospects, financial condition and results of operations.

As a result of our current focus on our lead product candidates, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable products. Our understanding and evaluation of biological targets for the discovery and development of new product candidates may fail to identify challenges encountered in subsequent preclinical and clinical development. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights.

We have no history of conducting clinical trials or commercializing biotechnology products, which may make it difficult to evaluate the prospects for our future viability.

Our operations to date have been limited to financing and staffing our company, developing our technology and developing our two lead product candidates, ANB019 and ANB020, and other product candidates with and without our collaborators. Although we have recruited a team that has experience with clinical trials, as a company we have no experience conducting clinical trials and have not had previous experience commercializing product candidates, including submitting an IND or a BLA to the FDA, or similar submissions to initiate clinical trials or obtain marketing authorization to foreign regulatory authorities. In part because of this lack of experience, we cannot be certain that planned clinical trials will begin or be completed on time, if at all, that our planned development programs would be acceptable to the FDA or other regulatory authorities, or that, if approval is obtained, such product candidates can be successfully commercialized. Clinical trials and commercializing our wholly-owned product candidates will require significant additional financial and management resources, and reliance on third-party clinical investigators, CROs, consultants or collaborators. Relying on third-party clinical investigators, CROs or collaborators may result in delays that are outside of our control.

Furthermore, we may not have the financial resources to continue development of, or to enter into collaborations for, a product candidate if we experience any problems or other unforeseen events that delay or prevent regulatory approval of, or our ability to commercialize, product candidates, including:

- negative or inconclusive results from our clinical trials or the clinical trials of others for product candidates similar to ours, leading to a decision or requirement to conduct additional preclinical testing or clinical trials or abandon a program;

- delays in submitting INDs or comparable foreign applications or delays or failure in obtaining the necessary approvals from regulators to commence a clinical trial, or a suspension or termination of a clinical trial once commenced;
- conditions imposed by the FDA or foreign regulatory authorities regarding the number, scope or design of our clinical trials;
- delays in enrolling research subjects in clinical trials;
- high drop-out rates of research subjects;
- inadequate supply or quality of clinical trial materials or other supplies necessary for the conduct of our clinical trials;
- greater than anticipated clinical trial costs;
- poor effectiveness or unacceptable side effects of our product candidates during clinical trials;
- unfavorable FDA or other regulatory agency inspection and review of a clinical trial site;
- failure of our third-party contractors or investigators to comply with regulatory requirements or otherwise meet their contractual obligations in a timely manner, or at all;
- serious and unexpected drug-related side effects experienced by participants in our planned clinical trials or by individuals using drugs similar to our product candidates;
- delays and changes in regulatory requirements, policy and guidelines, including the imposition of additional regulatory oversight around clinical testing generally or with respect to our technology in particular; or
- varying interpretations of data by the FDA and foreign regulatory authorities.

Consequently, any predictions you make about our future success or viability based on our short operating history may not be as accurate as they could be if we had a longer operating history or an established track record in conducting clinical trials or commercializing products.

Further, as a new business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We will need to transition from a company with a research focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We have never dosed any of our product candidates in humans. Our planned clinical trials or those of our collaborators may reveal significant adverse events, toxicities or other side effects not seen in our preclinical studies and may result in a safety profile that could inhibit regulatory approval or market acceptance of any of our product candidates.

In order to obtain marketing approval for any of our product candidates, we must demonstrate the safety and efficacy of the product candidate for the relevant clinical indication or indications through preclinical studies and clinical trials as well as additional supporting data. If our product candidates are associated with undesirable side effects in preclinical studies or clinical trials or have characteristics that are unexpected, we may need to interrupt, delay or abandon their development or limit development to more narrow uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective.

We have not yet initiated any clinical trials or dosed any of our product candidates, including ANB019 and ANB020, in humans. We have conducted various preclinical studies of our product candidates, but we do not know the predictive value of these studies for humans, and we cannot guarantee that any positive results in preclinical studies will successfully translate to human patients. It is not uncommon to observe results in human clinical trials that are unexpected based on preclinical testing, and many product candidates fail in clinical trials

despite promising preclinical results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval for their products. Subjects in our planned clinical trials may suffer significant adverse events or other side effects not observed in our preclinical studies, including, but not limited to, immunogenic responses, organ toxicities such as liver, heart or kidney or other tolerability issues. The observed potency and kinetics of our product candidates in preclinical studies may not be observed in human clinical trials. We have tested the dosing frequency and route of administration of our product candidates in preclinical studies, which will inform our dosing strategy for future clinical trials, however such dose and route of administration may not result in sufficient exposure or pharmacological effect in humans, and may lead to unforeseen toxicity not previously observed in preclinical testing. Further, if clinical trials of our product candidates fail to demonstrate efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

If significant adverse events or other side effects are observed in any of our future clinical trials, we may have difficulty recruiting patients to the clinical trial, patients may drop out of our trial, or we may be required to abandon the trial or our development efforts of that product candidate altogether. We, the FDA, or other applicable regulatory authorities, or an Institutional Review Board, or IRB, may suspend clinical trials of a product candidate at any time for various reasons, including a belief that subjects in such trials are being exposed to unacceptable health risks or adverse side effects. Some potential therapeutics developed in the biotechnology industry that initially showed therapeutic promise in early-stage studies have later been found to cause side effects that prevented their further development. Even if the side effects do not preclude the drug from obtaining or maintaining marketing approval, undesirable side effects may inhibit market acceptance of the approved product due to its tolerability versus other therapies. Any of these developments could materially harm our business, financial condition and prospects.

Further, if any of our product candidates obtains marketing approval, toxicities associated with our product candidates may also develop after such approval and lead to a requirement to conduct additional clinical safety trials, additional warnings being added to the labeling, significant restrictions on the use of the product or the withdrawal of the product from the market. We cannot predict whether our product candidates will cause toxicities in humans that would preclude or lead to the revocation of regulatory approval based on preclinical studies or early stage clinical testing.

We face significant competition, and if our competitors develop and market products that are more effective, safer or less expensive than our product candidates, our commercial opportunities will be negatively impacted.

The biotechnology industry is highly competitive and subject to rapid and significant technological change. Products we may develop in the future are also likely to face competition from other drugs and therapies, some of which we may not currently be aware. We have competitors both in the United States and internationally, including major multinational pharmaceutical and biotechnology companies, established biotechnology companies, specialty biotechnology companies, emerging and start-up companies, universities and other research institutions. Many of our competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources and commercial expertise than we do. Large pharmaceutical and biotechnology companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and manufacturing biotechnology products. These companies also have significantly greater research and marketing capabilities than we do and may also have products that have been approved or are in late stages of development, and collaborative arrangements in our target markets with leading companies and research institutions. Established pharmaceutical and biotechnology companies may also invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make the product candidates that we develop obsolete. As a result of all of these factors, our competitors may succeed in obtaining patent protection and/or approval from the FDA or foreign regulatory authorities or discovering, developing and commercializing products in our field before we do.

For asthma, our competitors include omalizumab (Xolair; Roche) which has received FDA approval and functions by inhibiting the binding between free IgE and FceRI; antibodies that bind IL-5 and inhibit its interaction with the IL-5 receptor such as mepolizumab (Glaxosmithkline), which a federal Advisory Committee has recently recommended that the FDA approve for the add-on maintenance treatment in patients aged 18 years or older with severe eosinophilic asthma, and reslizumab (Teva), the BLA for which has been submitted to the FDA for approval; antibodies such as benralizumab (AstraZeneca) that bind the IL-5 receptor; antibodies that bind to IL-13 such as lebrikizumab (Roche), tralokinumab (AstraZeneca) and anrukinzumab (Pfizer), which are in clinical testing; antibodies that bind the IL-4 receptor alpha chain, such as dupilumab (Regeneron) and AMG317 (Amgen) each in clinical testing and antibodies that bind the ST2 receptor including AMG282 (Amgen), which is in clinical testing. For peanut allergy, our competitors include DBV Technologies, which is developing transdermal products for tolerization of food allergies, while Aimmune Therapeutics is developing oral products for peanut allergy desensitization. For GPP and PPP, our competitors include marketed therapies such as secukinumab (Cosentyx; Novartis) which binds IL-17A; ustekinumab (Stelara; Janssen) which blocks IL-12 and 23 cytokine function; and acitretin (Soriatane; Glaxosmithkline), as well as therapies in development such as guselkumab (Janssen) which blocks IL-23 cytokine function and gevokizumab (Xoma 052) which binds IL-1 beta.

With the enactment of the Biologics Price Competition and Innovation Act of 2009, or BPCIA, an abbreviated pathway for the approval of biosimilar and interchangeable biological products was created. The abbreviated regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as interchangeable based on its similarity to an existing reference product. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the original branded product is approved under a biologics license application, or BLA. On March 6, 2015, the FDA approved the first biosimilar product under the BPCIA. However, the law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when such processes intended to implement BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

We believe that if any of our product candidates are approved as a biological product under a BLA it should qualify for the 12-year period of exclusivity. However, there is a risk that the FDA will not consider any of our product candidates to be reference products for competing products, potentially creating the opportunity for biosimilar competition sooner than anticipated. Additionally, this period of regulatory exclusivity does not apply to companies pursuing regulatory approval via their own traditional BLA, rather than via the abbreviated pathway. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe effects, are more convenient, are less expensive or capture significant market share prior to or during our commercialization. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, our ability to compete may be affected in many cases by insurers or other third party payors seeking to encourage the use of biosimilar products. Even if our product candidates achieve marketing approval, they may be priced at a significant premium over competitive biosimilar products if any have been approved by then.

Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These companies compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for planned clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. In addition, the biotechnology industry is characterized by rapid technological change. If we fail to stay at the forefront

of technological change, we may be unable to compete effectively. Technological advances or products developed by our competitors may render our technologies or product candidates obsolete, less competitive or not economical.

Our product candidates may not achieve adequate market acceptance among physicians, patients, healthcare payors and others in the medical community necessary for commercial success.

Even if our product candidates receive regulatory approval, they may not gain adequate market acceptance among physicians, patients, healthcare payors and others in the medical community. The degree of market acceptance of any of our approved product candidates will depend on a number of factors, including:

- the efficacy and safety profile as demonstrated in planned clinical trials;
- the timing of market introduction of the product candidate as well as competitive products;
- the clinical indications for which the product candidate is approved;
- restrictions on the use of our products, if approved, such as boxed warnings or contraindications in labeling, or a risk evaluation and mitigation strategy, or REMS, if any, which may not be required of alternative treatments and competitor products;
- acceptance of the product candidate as a safe and effective treatment by physicians, clinics and patients;
- the potential and perceived advantages of product candidates over alternative treatments, including any similar generic treatments;
- the cost of treatment in relation to alternative treatments;
- the availability of coverage and adequate reimbursement and pricing by third parties and government authorities;
- relative convenience and ease of administration;
- the frequency and severity of adverse events;
- the effectiveness of sales and marketing efforts; and
- unfavorable publicity relating to the product candidate.

If any product candidate is approved but does not achieve an adequate level of acceptance by physicians, hospitals, healthcare payors and patients, we may not generate or derive sufficient revenue from that product candidate and may not become or remain profitable.

If companion diagnostics for our product candidates for which such diagnostics are required, are not successfully, and in a timely manner, validated, developed or approved, we may not achieve marketing approval or realize the full commercial potential of our product candidates.

If companion diagnostics are developed in conjunction with clinical programs, the FDA may require regulatory approval of a companion diagnostic as a condition to approval of the product candidate. For example, if, as is currently planned, we use a genetic test to determine which patients are most likely to benefit from ANB019 for the treatment of GPP by designing our pivotal trial or trials of ANB019 in that indication to require that subjects test positive for specific genetic mutations as a criterion for enrollment, then we will likely be required to obtain FDA approval or clearance of a companion diagnostic, concurrent with approval of ANB019, to test for those genetic mutations; we may also be required to demonstrate to the FDA the predictive utility of the companion diagnostic—namely, that the diagnostic selects for patients in whom the biologic therapy will be effective or more effective compared to patients not selected for by the diagnostic. We do not have experience or capabilities in developing or commercializing diagnostics and plan to rely in large part on third parties to perform these functions. We do not currently have any agreement in place with any third party to develop or commercialize companion diagnostics for any of our product candidates. Companion diagnostics are subject to regulation by the FDA and foreign regulatory authorities as medical devices and require separate regulatory approval prior to commercialization.

If we or our partners, or any third party, are unable to successfully develop companion diagnostics for our product candidates, or experience delays in doing so:

- the development of our product candidates may be adversely affected if we are unable to appropriately select patients for enrollment in our planned clinical trials;
- our product candidates may not receive marketing approval if their safe and effective use depends on a companion diagnostic; and
- we may not realize the full commercial potential of any product candidates that receive marketing approval if, among other reasons, we are unable to appropriately identify patients with the specific genetic alterations targeted by our product candidates.

In addition, although we believe genetic testing is becoming more prevalent in the diagnosis and treatment of various diseases and conditions, our product candidates may be perceived negatively compared to alternative treatments that do not require the use of companion diagnostics, either due to the additional cost of the companion diagnostic or the need to complete additional procedures to identify genetic markers prior to administering our product candidates.

If any of these events were to occur, our business would be harmed, possibly materially.

The manufacture of biologics is complex and our third-party manufacturers may encounter difficulties in production. If any of our third-party manufacturers encounter such difficulties, our ability to provide supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or stopped.

The process of manufacturing biologics is complex, highly-regulated and subject to multiple risks. Manufacturing biologics is highly susceptible to product loss due to contamination, equipment failure, improper installation or operation of equipment, vendor or operator error, inconsistency in yields, variability in product characteristics and difficulties in scaling the production process. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered at the facilities of our manufacturer, such facilities may need to be closed for an extended period of time to investigate and remedy the contamination, which could delay clinical trials and adversely harm our business.

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

Scaling up a biologic manufacturing process is a difficult and uncertain task, and we may not be successful in transferring our production system or the manufacturer may not have the necessary capabilities to complete the implementation and development process. If we are unable to adequately validate or scale-up the manufacturing process with our current manufacturer, we will need to transfer to another manufacturer and complete the manufacturing validation process, which can be lengthy. If we are able to adequately validate and scale-up the manufacturing process for our product candidates with a contract manufacturer, we will still need to negotiate with such contract manufacturer an agreement for commercial supply and it is not certain we will be able to come to agreement on terms acceptable to us.

Risks Related to Our Financial Position and Capital Needs

We have limited operating revenue and a history of operational losses and may not achieve or sustain profitability. We have no products approved for commercial sale, and to date we have not generated any revenue or profit from product sales.

We are an early-stage biotechnology company with a limited operating history. We have no approved products and none of our product candidates have progressed to clinical development. To date, our revenue has been primarily derived from our research collaboration and license agreements with third parties, including TESARO, Inc. and TESARO Development, Ltd., or collectively, TESARO, and Celgene Corporation, or Celgene, and we are significantly dependent on such collaborators for the successful development of product candidates in these collaborations. Our ability to generate revenue and become profitable depends upon our ability, alone or with our collaborators, to successfully complete the development of our product candidates for our target indications and to obtain necessary regulatory approvals.

Since our inception, we have incurred significant operating losses in every year except fiscal year 2014 and we do not expect to be profitable in 2015. Our collaboration revenue was $9.0 million and net loss was $0.4 million for the six months ended June 30, 2015 and our collaboration revenue was $15.8 million and our net income was $3.5 million for the year ended December 31, 2014. As of June 30, 2015, we had an accumulated deficit of $45.7 million.

We have financed our operations primarily through private placements of our preferred stock and the issuance of debt. We have devoted substantially all of our efforts to research and development. We have not initiated clinical development of any product candidates and expect that it will be many years, if ever, before we have a product candidate ready for commercialization. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future, and the net losses we incur may fluctuate significantly from quarter to quarter. Our revenue has been historically derived from amortization of upfront payments, research and development funding and milestone payments under collaboration and license agreements with our collaborators. Our ability to generate future product revenue from our current or future product candidates depends on a number of additional factors, including our or our collaborators' ability to:

- continue our research and preclinical development of our product candidates;
- identify additional product candidates;
- maintain existing and enter into new collaboration agreements;
- conduct additional preclinical studies and initiate clinical trials for our product candidates;
- obtain approvals for the product candidates we develop or developed under our collaboration arrangements;
- establish a sales, marketing and distribution infrastructure to commercialize any product candidates for which we may obtain marketing approval;
- maintain, expand and protect our intellectual property portfolio;
- hire additional executive, clinical, quality control and scientific personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development;
- establish and maintain supply and manufacturing relationships with third parties, and ensure adequate and legally compliant manufacturing of our products;
- obtain coverage and adequate product reimbursement from third-party payors, including government payors;

- acquire or in-license other product candidates and technologies; and
- achieve market acceptance for our or our collaborators' products, if any.

We are unable to predict the timing or amount of increased expenses, or when, or if, we will be able to achieve or maintain profitability because of the numerous risks and uncertainties associated with product development. In addition, our expenses could increase significantly beyond expectations if we are required by the FDA or other regulatory authorities to perform studies or trials in addition to those that we currently anticipate. Even if ANB019 and ANB020, or any of our other product candidates, are approved for commercial sale, we anticipate incurring significant costs associated with the commercial launch of any product candidate.

We are currently only in the preclinical development stages for our most advanced product candidates. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain or expand our research and development efforts, expand our business or continue our operations. A decline in the value of our company would also cause you to lose part or even all of your investment.

We will require additional capital to finance our operations, which may not be available to us on acceptable terms, or at all. As a result, we may not complete the development and commercialization of our product candidates or develop new product candidates.

As a research and development company, our operations have consumed substantial amounts of cash since our inception. We expect our research and development expenses to increase substantially in connection with our ongoing activities, particularly as we continue our discovery and preclinical development to identify new clinical candidates, and we and our collaborators initiate clinical trials of, and seek marketing approval for, our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Furthermore, upon the closing of this offering, we expect to incur additional costs associated with operating as a public company. We believe that the net proceeds from this offering, together with our existing cash and cash equivalents and funding we expect to receive under existing collaboration agreements, will fund our projected operating requirements through at least the next 24 months. However, circumstances may cause us to consume capital more rapidly than we currently anticipate. For example, as we move our lead product candidates through preclinical studies and submit INDs or foreign equivalents, which may occur as early as at the end of 2015, we may have adverse results requiring us to find new product candidates, or our collaborators may not elect to pursue the development and commercialization of any of our product candidates that are subject to their respective agreements with us. Any of these events may increase our development costs more than we expect. We may need to raise additional funds or otherwise obtain funding through product collaborations to continue development of our product candidates.

If we need to secure additional financing, such additional fundraising efforts may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize future product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we do not raise additional capital when required or on acceptable terms, we may need to:

- significantly delay, scale back or discontinue the development or commercialization of any product candidates or cease operations altogether;
- seek strategic alliances for research and development programs at an earlier stage than we would otherwise desire or on terms less favorable than might otherwise be available;
- relinquish, or license on unfavorable terms, our rights to technologies or any future product candidates that we otherwise would seek to develop or commercialize ourselves; or
- eliminate staff to conserve resources.

If we need to conduct additional fundraising activities and we do not raise additional capital in sufficient amounts or on terms acceptable to us, we may be prevented from pursuing development and commercialization efforts, which will have a material adverse effect on our business, operating results and prospects.

Our forecast of the period of time through which our financial resources will adequately support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this "Risk Factors" section. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Our future funding requirements, both short and long-term, will depend on many factors, including:

- the initiation, progress, timing, costs and results of preclinical studies and clinical trials for our product candidates and future product candidates we may develop;
- the number and size of clinical trials needed to show safety, efficacy and an acceptable risk/benefit profile for any of our product candidates;
- the outcome, timing and cost of seeking and obtaining regulatory approvals from the FDA and foreign regulatory authorities, including the potential for such authorities to require that we perform more studies or trials than those that we currently expect;
- our ability to maintain existing and enter into new collaboration agreements;
- the cost to establish, maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, preparing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- the effect of competing technological and market developments;
- market acceptance of any approved product candidates;
- the costs of acquiring, licensing or investing in additional businesses, products, product candidates and technologies;
- the cost of recruiting and retaining key employees;
- the cost and timing of selecting, auditing and potentially validating a manufacturing site for commercial-scale manufacturing; and
- the cost of establishing sales, marketing and distribution capabilities for our product candidates for which we may receive regulatory approval and that we determine to commercialize ourselves or in collaboration with our collaborators.

If a lack of available capital means that we cannot expand our operations or otherwise capitalize on our business opportunities, our business, financial condition and results of operations could be adversely affected.

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

We may seek additional capital through a variety of means, including through public or private equity, debt financings or other sources, including up-front payments and milestone payments from strategic collaborations. To the extent that we raise additional capital through the sale of equity or convertible debt or equity securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a stockholder. Such financing may result in dilution to stockholders, imposition of debt covenants, increased fixed payment obligations, or other restrictions that may affect our business. If we raise additional funds through up-front payments or milestone payments pursuant to strategic collaborations with third

parties, we may have to relinquish valuable rights to our product candidates, or grant licenses on terms that are not favorable to us. 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.

Risks Related to Managing Growth, Operations and Macroeconomic Conditions

We must attract and retain highly skilled employees in order to succeed.

To succeed, we must recruit, retain, manage and motivate qualified clinical, scientific, technical and management personnel, and we face significant competition for experienced personnel. If we do not succeed in attracting and retaining qualified personnel, particularly at the management level, it could adversely affect our ability to execute our business plan, harm our operating results and increase our capabilities to successfully commercialize our product candidates. In particular, the loss of one or more of our executive officers could be detrimental to us if we cannot recruit suitable replacements in a timely manner. The competition for qualified personnel in the biotechnology field is intense and as a result, we may be unable to continue to attract and retain qualified personnel necessary for the development of our business or to recruit suitable replacement personnel.

Many of the other biotechnology companies that we compete against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than what we have to offer. If we are unable to continue to attract and retain high-quality personnel, the rate and success at which we can discover and develop product candidates and our business will be limited.

We currently have no marketing and sales force. If we are unable to establish effective sales or marketing capabilities or enter into agreements with third parties to sell or market our product candidates, we may not be able to effectively sell or market our product candidates, if approved, or generate product revenue.

We currently do not have a marketing or sales team for the marketing, sales and distribution of any of our product candidates that are able to obtain regulatory approval. In order to commercialize any product candidates, we must build on a territory-by-territory basis 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 our product candidates receive regulatory approval, we may decide to establish an internal sales or marketing team with technical expertise and supporting distribution capabilities to commercialize our product candidates, which will be expensive and time-consuming and will require significant attention of our executive officers to manage. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of any of our product candidates that we obtain approval to market. With respect to the commercialization of all or certain of our product candidates, we may choose to collaborate, either globally or on a territory-by-territory basis, 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 when needed on acceptable terms, or at all, we may not be able to successfully commercialize any of our product candidates that receive regulatory approval or any such commercialization may experience delays or limitations. If we are not successful in commercializing our product candidates, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

We expect to expand our development and regulatory capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of product candidate development and growing our capability to conduct clinical trials. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified

personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We conduct significant operations through our Australian wholly-owned subsidiary. If we lose our ability to operate in Australia, or if our subsidiary is unable to receive the research and development tax credit allowed by Australian regulations, our business and results of operations will suffer.

In March 2015, we formed a wholly-owned Australian subsidiary, AnaptysBio Pty Ltd, or AnaptysBio Pty, to develop and commercialize our ANB019 and ANB020 antibody program in Australia. Due to the geographical distance and lack of employees currently in Australia, as well as our lack of experience operating in Australia, we may not be able to efficiently or successfully monitor, develop and commercialize our lead products or antibody program in Australia, including conducting clinical trials. Furthermore, we have no assurance that the results of any clinical trials that we conduct for our product candidates in Australia will be accepted by the FDA or foreign regulatory authorities for development and commercialization approvals.

In addition, current Australian tax regulations provide for a refundable research and development tax credit equal to 43.5% of qualified expenditures. If we lose our ability to operate AnaptysBio Pty in Australia, or if we are ineligible or unable to receive the research and development tax credit, or the Australian government significantly reduces or eliminates the tax credit, our business and results of operation would be adversely affected.

The manufacture of biotechnology products is complex and manufacturers often encounter difficulties in production. If we or any of our third-party manufacturers encounter any loss of our master cell banks or if any of our third-party manufacturers encounter other difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide product candidates for clinical trials or our products to patients, once approved, the development or commercialization of our product candidates could be delayed or stopped.

The manufacture of biotechnology products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. We and our contract manufacturers must comply with current good manufacturing practices, or cGMP, regulations and guidelines for the manufacturing of biologics used in clinical trials and, if approved, marketed products. To date, neither we nor our contract manufacturers has manufactured or attempted to manufacture cGMP batches of our products. Manufacturers of biotechnology products often encounter difficulties in production, particularly in scaling up and validating initial production. Furthermore, if microbial, viral or other contaminations are discovered in our products or in the manufacturing facilities in which our products are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Delays in raw materials availability and supply may also extend the period of time required to develop our products.

All of our therapeutic antibodies are manufactured by starting with cells which are stored in a cell bank. We have one master cell bank for each antibody manufactured in accordance with cGMP and multiple working cell banks and believe we would have adequate backup should any cell bank be lost in a catastrophic event. However, it is possible that we could lose multiple cell banks and have our manufacturing severely impacted by the need to replace the cell banks.

We cannot assure you that any stability or other issues relating to the manufacture of any of our product candidates or products will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with

their contractual obligations, our ability to provide any product candidates to patients in planned clinical trials and products to patients, once approved, would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of planned clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to commence new clinical trials at additional expense or terminate clinical trials completely. Any adverse developments affecting clinical or commercial manufacturing of our product candidates or products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our product candidates or products. We may also have to take inventory write-offs and incur other charges and expenses for product candidates or products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Accordingly, failures or difficulties faced at any level of our supply chain could adversely affect our business and delay or impede the development and commercialization of any of our product candidates or products and could have an adverse effect on our business, prospects, financial condition and results of operations.

We may be vulnerable to disruption, damage and financial obligation as a result of system failures.

Despite the implementation of security measures, any of the internal computer systems belonging to us, our collaborators or our third-party service providers are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. Any system failure, accident or security breach that causes interruptions in our own, in collaborators' or in third-party service vendors' operations could result in a material disruption of our drug discovery and development programs. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our or our collaborators' regulatory approval efforts and significantly increase our costs in order to recover or reproduce the lost data. To the extent that any disruption or security breach results in a loss or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we may incur liability as a result, our drug discovery programs and competitive position may be adversely affected and the further development of our product candidates may be delayed. Furthermore, we may incur additional costs to remedy the damages caused by these disruptions or security breaches.

Our operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist activity and other events beyond our control, which could harm our business.

Our facility is located in a seismically active region, which has also historically been subject to electrical blackouts as a result of a shortage of available electrical power. We have not undertaken a systematic analysis of the potential consequences to our business and financial results from a major earthquake, fire, power loss, terrorist activity or other disasters and do not have a recovery plan for such disasters. In addition, we do not carry sufficient insurance to compensate us for actual losses from interruption of our business that may occur, and any losses or damages incurred by us could harm our business. We maintain multiple copies of each of our antibody sequences and electronic data records, most of which we maintain at our headquarters. If our facility was impacted by a seismic event, we could lose all our antibody sequences, which would have an adverse effect on our ability to perform our obligations under our collaborations and discover new targets.

Risks Related to Our Dependence on Third Parties

Our existing collaborations, including those with TESARO and Celgene, are important to our business, and future collaborations may also be important to us. If we are unable to maintain any of these collaborations, or if these collaborations are not successful, our business could be adversely affected.

We have entered into collaborations with other biotechnology companies to develop several of our product candidates, and such collaborations currently represent a significant portion of our product pipeline. In addition, we have entered into other collaborations pursuant to which we have provided access to our technology platform to our collaborators to enable the optimization of their own product candidates. We have entered into antibody

generation and/or development collaborations with various collaborators, including TESARO and Celgene, under which we have generated therapeutic quality antibodies using our technology platform and conducted certain preclinical studies in collaboration. These collaborations have provided us with $48.7 million in non-dilutive funding through July 31, 2015. We are currently aware that TESARO and Celgene are advancing multiple antibodies generated through our collaboration to clinical trials. If our collaborators terminate any of our collaborations, we may not receive all or any of this funding, which would adversely affect our business or financial condition. Other than TESARO, our operational obligations under each of our collaborations has ended.

We are unable to predict the success of our collaborations. Our collaborators have discretion in determining and directing the efforts and resources, including the ability to discontinue all efforts and resources, they apply to the development and, if approval is obtained, commercialization and marketing of the product candidates covered by such collaborations. As a result, our collaborators may elect to de-prioritize our programs, change their strategic focus or pursue alternative technologies in a manner that results in reduced, delayed or no revenue to us. Our collaborators may have other marketed products and product candidates under collaboration with other companies, including some of our competitors, and their corporate objectives may not be consistent with our best interests. Our collaborators may also be unsuccessful in developing or commercializing our products. If our collaborations are unsuccessful, our business, financial condition, results of operations and prospects could be adversely affected. In addition, any dispute or litigation proceedings we may have with our collaborators in the future could delay development programs, create uncertainty as to ownership of intellectual property rights, distract management from other business activities and generate substantial expense.

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

In addition to our current licensing arrangements with TESARO and Celgene, a part of our strategy is to enter into additional strategic product development collaborations in the future, including collaborations to broaden and accelerate clinical development and potential commercialization of our product candidates. We may face significant competition in seeking appropriate development partners and the negotiation process is time-consuming and complex. Moreover, we may not succeed in our efforts to establish a development collaboration or other alternative arrangements for any of our other existing or future product candidates and programs because our research and development pipeline may be insufficient, our product candidates and programs may be deemed to be at too early a stage of development for collaborative effort and/or third parties may not view our product candidates and programs as having the requisite potential to demonstrate safety and efficacy. Even if we are successful in our efforts to establish new development collaborations, the terms that we agree upon may not be favorable to us and we may not be able to maintain such development collaborations if, for example, development or approval of a product candidate is delayed or sales of an approved product candidate are disappointing. Any delay in entering into new development collaboration agreements related to our product candidates could delay the development and commercialization of our product candidates and reduce their competitiveness if they reach the market.

Moreover, if we fail to establish and maintain additional development collaborations related to our product candidates:

- the development of certain of our current or future product candidates may be terminated or delayed;
- our cash expenditures related to development of certain of our current or future product candidates would increase significantly and we may need to seek additional financing;
- we may be required to hire additional employees or otherwise develop expertise, such as sales and marketing expertise, for which we have not budgeted; and
- we will bear all of the risk related to the development of any such product candidates.

If third parties on which we depend to conduct our planned preclinical studies, or any future clinical trials, do not perform as contractually required, fail to satisfy regulatory or legal requirements or miss expected deadlines, our development program could be delayed with adverse effects on our business, financial condition, results of operations and prospects.

We rely on third party clinical investigators, contract research organizations, or CROs, clinical data management organizations, or CMOs, and consultants to design, conduct, supervise and monitor preclinical studies of our product candidates and will do the same for any clinical trials. Because we rely on third parties and do not have the ability to conduct preclinical studies or clinical trials independently, we have less control over the timing, quality and other aspects of preclinical studies and clinical trials than we would if we conducted them on our own. These investigators, CROs, CMOs and consultants are not our employees and we have limited control over the amount of time and resources that they dedicate to our programs. These third parties may have contractual relationships with other entities, some of which may be our competitors, which may draw time and resources from our programs. The third parties we contract with might not be diligent, careful or timely in conducting our preclinical studies or clinical trials, resulting in the preclinical studies or clinical trials being delayed or unsuccessful.

If we cannot contract with acceptable third parties on commercially reasonable terms, or at all, or if these third parties do not carry out their contractual duties, satisfy legal and regulatory requirements for the conduct of preclinical studies or clinical trials or meet expected deadlines, our clinical development programs could be delayed and otherwise adversely affected. In all events, we are responsible for ensuring that each of our preclinical studies and clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. Any such event could have an adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Regulatory Approval of Our Product Candidates and Other Legal Compliance Matters

Even if our product candidates receive regulatory approval, they will be subject to significant post-marketing regulatory requirements.

Any regulatory approvals that we may receive for our product candidates will require surveillance to monitor the safety and efficacy of the product candidate, may contain significant limitations related to use restrictions for specified age groups, warnings, precautions or contraindications, and may include burdensome post-approval study or risk management requirements. For example, the FDA may require a risk evaluation and mitigation strategy in order to approve our product candidates, which could entail requirements for a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. In addition, if the FDA or foreign regulatory authorities approve our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for our product candidates will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and cGCPs for any clinical trials that we conduct post-approval. In addition, manufacturers of drug products and their facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP regulations and standards. If we or a regulatory agency discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facilities where the product is manufactured, a regulatory agency may impose restrictions on that product, the manufacturing facility or us, including requiring recall or withdrawal of the product from the market or suspension of manufacturing. In addition, failure to comply with FDA and foreign regulatory requirements may, either before or after product approval, if any, subject our company to administrative or judicially imposed sanctions, including:

- restrictions on our ability to conduct clinical trials, including full or partial clinical holds on ongoing or planned trials;

- restrictions on the products, manufacturers or manufacturing process;
- warning or untitled letters;
- civil and criminal penalties;
- injunctions;
- suspension or withdrawal of regulatory approvals;
- product seizures, detentions or import bans;
- voluntary or mandatory product recalls and publicity requirements;
- total or partial suspension of production;
- imposition of restrictions on operations, including costly new manufacturing requirements; and
- refusal to approve pending BLAs or supplements to approved BLAs.

The occurrence of any event or penalty described above may inhibit our ability to commercialize our product candidates and generate revenue.

Advertising and promotion of any product candidate that obtains approval in the United States will be heavily scrutinized by the FDA, the Department of Justice, the Department of Health and Human Services' Office of Inspector General, state attorneys general, members of Congress and the public. Violations, including promotion of our products for unapproved (or off-label) uses, are subject to enforcement letters, inquiries and investigations, and civil and criminal sanctions by the government. Additionally, comparable foreign regulatory authorities will heavily scrutinize advertising and promotion of any product candidate that obtains approval outside of the United States.

In the United States, engaging in the impermissible promotion of our products for off-label uses can also subject us to false claims litigation under federal and state statutes, which can lead to civil and criminal penalties and fines and agreements that materially restrict the manner in which a company promotes or distributes drug products. These false claims statutes include the federal False Claims Act, which allows any individual to bring a lawsuit against a biotechnology company on behalf of the federal government alleging submission of false or fraudulent claims, or causing to present such false or fraudulent claims, for payment by a federal program such as Medicare or Medicaid. If the government prevails in the lawsuit, the individual will share in any fines or settlement funds. Since 2004, these False Claims Act lawsuits against biotechnology companies have increased significantly in volume and breadth, leading to several substantial civil and criminal settlements regarding certain sales practices promoting off-label drug uses involving fines in excess of $1.0 billion. This growth in litigation has increased the risk that a biotechnology company will have to defend a false claim action, pay settlement fines or restitution, agree to comply with burdensome reporting and compliance obligations, and be excluded from Medicare, Medicaid and other federal and state healthcare programs. If we do not lawfully promote our approved products, we may become subject to such litigation and, if we do not successfully defend against such actions, those actions may have an adverse effect on our business, financial condition and results of operations.

Our failure to obtain regulatory approval in international jurisdictions would prevent us from marketing our product candidates outside the United States.

In order to market and sell our products in other jurisdictions, we must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, we must secure product reimbursement approvals before regulatory authorities will approve the product for sale

in that country. Obtaining foreign regulatory approvals and compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries.

Further, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries and regulatory approval in one country does not ensure approval in any other country, while a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory approval process in others. For example, our initial clinical development of ANB020 and ANB019 is planned in Australia, and we believe that clinical data generated in Australia will subsequently be accepted by the FDA and its foreign equivalents outside of Australia. Also, regulatory approval for any of our product candidates may be withdrawn. If we fail to comply with the regulatory requirements in international markets and receive applicable marketing approvals, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed and our business will be adversely affected. We may not obtain foreign regulatory approvals on a timely basis, if at all. Our failure to obtain approval of any of our product candidates by regulatory authorities in another country may significantly diminish the commercial prospects of that product candidate and our business prospects could decline.

We plan to seek Orphan Drug Designation for ANB019 or certain of our other product candidates and we may not be able to obtain or maintain orphan designation or obtain the benefits associated with Orphan Drug status, including market exclusivity.

We plan to seek Orphan Drug Designation for ANB019 or certain of our other product candidates. Regulatory authorities in some jurisdictions, including the United States and the European Union, or EU, may designate biologics for relatively small patient populations as Orphan Drugs. Under the Orphan Drug Act, the FDA may designate a biologic as an Orphan Drug if it is intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals in the United States. Generally, if a biologic with an Orphan Drug Designation subsequently receives the first marketing approval for the indication for which it has such designation, the biologic is entitled to a period of marketing exclusivity, which precludes the FDA, in the United States, or the European Medicines Agency, or EMA, in the EU, from approving another marketing application for a drug containing the same active moiety for the same indication for that time period. The applicable period is seven years in the United States and ten years in the European Union. The EU exclusivity period can be reduced to six years if a biologic no longer meets the criteria for Orphan Drug Designation or if the biologic is sufficiently profitable so that market exclusivity is no longer justified. Orphan Drug exclusivity may be lost if the FDA or EMA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition. In addition, the Orphan Drug Designation does not convey any advantage in, or shorten the duration of, the regulatory review or approval process. Also, regulatory approval for any product candidate may be withdrawn and other candidates may obtain approval before us.

We have not applied for Orphan Drug Designation for ANB019 for any indication, and may not be able to obtain designation or any of the potential benefits associated with it. For example, we plan to seek FDA Orphan Drug Designation for ANB019 for the treatment of GPP and PPP, which will likely require that we demonstrate to FDA that GPP and PPP are distinct diseases from psoriasis generally (a non-rare disease) or that use of ANB019 may be appropriate for the treatment of GPP and PPP but not appropriate for use in the general psoriasis population.

Even if we obtain Orphan Drug Designation, we may not receive Orphan Drug exclusivity, and such exclusivity, if obtained, may not effectively protect the candidate from competition because different drugs or biologics can be approved for the same condition and only the first biologic with an Orphan Drug Designation to receive regulatory approval for a particular indication will receive marketing exclusivity. Even after a drug or biological with Orphan Drug Designation is approved, the FDA can subsequently approve another biologic containing the same active moiety (which in the case of an antibody is the principal molecular structure) for the

same condition if the FDA concludes that the later biologic is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care.

Any drugs we develop may become subject to unfavorable third-party reimbursement practices and pricing regulations.

The availability and extent of coverage and adequate reimbursement by governmental and private payors is essential for most patients to be able to afford expensive treatments. Sales of any of our product candidates that receive marketing approval will depend substantially, both in the United States and internationally, on the extent to which the costs of our product candidates will be paid by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payors. If reimbursement is not available, or is available only to limited levels, we may not be able to successfully commercialize our product candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us to establish or maintain pricing sufficient to realize a sufficient return on our investment. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If coverage and reimbursement are not available or reimbursement is available only to limited levels, we may not successfully commercialize any product candidate for which we obtain marketing approval.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the United States, the principal decisions about reimbursement for new products are typically made by the Centers for Medicare & Medicaid Services, or CMS, an agency within the U.S. Department of Health and Human Services because CMS decides whether and to what extent a new product will be covered and reimbursed under Medicare. Private payors often follow CMS's decisions regarding coverage and reimbursement to a substantial degree. However, one payor's determination to provide coverage for a drug product does not assure that other payors will also provide coverage for the drug product. 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 products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Further, such payors are increasingly challenging the price, examining the medical necessity, and reviewing the cost effectiveness of medical drug products. There may be especially significant delays in obtaining coverage and reimbursement for newly approved drugs. Third-party payors may limit coverage to specific drug products on an approved list, known as a formulary, which might not include all FDA approved drugs for a particular indication. We or our collaborators may need to conduct expensive pharmaco-economic studies to demonstrate the medical necessity and cost effectiveness of our products. Nonetheless, our product candidates may not be considered medically necessary or cost effective. We cannot be sure that coverage and reimbursement will be available for any product that we commercialize and, if reimbursement is available, what the level of reimbursement will be.

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, Canada and other countries has and will continue to put pressure on the pricing and usage of therapeutics such as our product candidates. In many countries, particularly the countries of the European Union, the prices of medical products are subject to varying price control mechanisms as part of national health systems. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. In general, the prices of products under such systems are substantially lower than in the United States. Other countries allow companies to fix their own prices for 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 product candidates. Accordingly, in markets outside the United States, the reimbursement for our products 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 internationally, to cap or reduce healthcare costs may cause such organizations to limit both coverage and level of reimbursement for new products approved and, as a result, they may not cover or provide adequate payment for our product candidates. We expect to experience pricing pressures in connection with the sale of any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products into the healthcare market.

In addition to CMS and private payors, professional organizations such as the American Medical Association, or AMA, can influence decisions about reimbursement for new products by determining standards for care. In addition, many private payors contract with commercial vendors who sell software that provide guidelines that attempt to limit utilization of, and therefore reimbursement for, certain products deemed to provide limited benefit to existing alternatives. Such organizations may set guidelines that limit reimbursement or utilization of our product candidates.

Furthermore, some of our target indications, including for GPP, are rare diseases with small patient populations. In order for therapeutics that are designed to treat smaller patient populations to be commercially viable, the reimbursement for such therapeutics must be higher, on a relative basis to account for the low volume of sales. Accordingly, we will need to implement a coverage and reimbursement strategy for any approved product candidate that accounts for the smaller potential market size.

If we are unable to establish or sustain coverage and adequate reimbursement for any future product candidates from third-party payors, the adoption of those products and sales revenue will be adversely affected, which, in turn, could adversely affect the ability to market or sell those product candidates, if approved. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we or our collaborators receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Recently enacted legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and/or affect our ability to profitably sell any product candidates for which we obtain marketing approval.

For example, in March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively the ACA, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms.

Among the provisions of the ACA of importance to our potential product candidates are the following:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;

- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for a manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- 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;
- expansion of eligibility criteria for Medicaid programs;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- requirements to report certain financial arrangements with physicians and teaching hospitals;
- a requirement to annually report certain information regarding drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

We may face difficulties from changes to current regulations and future legislation.

Existing regulatory policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, effective April 1 2013, which, due to subsequent legislative amendments, will stay in effect through 2024 unless additional Congressional action is taken. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on customers for our drugs, if approved, and accordingly, our financial operations.

Likewise, the annual Medicare Physician Fee Schedule update, which, until recently, was based on a target-setting formula system called the Sustainable Growth Rate ("SGR"), was adjusted to reflect the comparison of actual expenditures to target expenditures. Because one of the factors for calculating the SGR was linked to the growth in the U.S. gross domestic product ("GDP"), the SGR formula often resulted in a negative payment update when growth in Medicare beneficiaries' use of services exceeded GDP growth. Congress repeatedly intervened to delay the implementation of negative SGR payment updates. For example, on April 1, 2014, with the enactment of the Protecting Access to Medicare Act of 2014, Congress prevented the 24 percent cut that was to occur by continuing the previously implemented 0.5 percent payment increase through December 31, 2014 and maintaining a zero percent payment update from January 1, 2015 through March 31, 2015. However, on April 14, 2015, Congress passed the Medicare Access and CHIP Reauthorization Act of 2015, which was signed into law by President Obama on April 16, 2015. This law repeals the SGR methodology from the physician payment

formula, institutes a 0% update to the Medicare Physician Fee Schedule for the January 1 to July 1, 2015 period, a 0.5% payment update for July 2015 through the end of 2019, and a 0% payment update for 2020 through 2025, along with a merit-based incentive payment system beginning January 1, 2019, that will replace current incentive programs. For 2026 and subsequent years, the payment update will be either 0.75% or 0.25%, depending on which Alternate Payment Model the physician participates.

We expect that the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our product candidates.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for biotechnology products. We cannot be sure whether additional legislative changes will be enacted, or whether FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

Our business entails a significant risk of product liability and our ability to obtain sufficient insurance coverage could have an adverse effect on our business, financial condition, results of operations or prospects.

Our business exposes us to significant product liability risks inherent in the development, testing, manufacturing and marketing of therapeutic treatments. Product liability claims could delay or prevent completion of our development programs. If we succeed in marketing products, such claims could result in an FDA investigation of the safety and effectiveness of our products, our manufacturing processes and facilities or our marketing programs and potentially a recall of our products or more serious enforcement action, limitations on the approved indications for which they may be used or suspension or withdrawal of approvals. Regardless of the merits or eventual outcome, liability claims may also result in decreased demand for our products, injury to our reputation, costs to defend the related litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or patients and a decline in our stock price. We currently have product liability insurance that we believe is appropriate for our stage of development and may need to obtain higher levels prior to marketing any of our product candidates. Any insurance we have or may obtain may not provide sufficient coverage against potential liabilities. Furthermore, clinical trial and product liability insurance is becoming increasingly expensive. As a result, we may be unable to obtain sufficient insurance at a reasonable cost to protect us against losses caused by product liability claims that could have an adverse effect on our business.

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

Healthcare providers and third-party payors play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations, include the following:

- the federal Anti-Kickback Statute prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or

in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;

- the federal false claims and civil monetary penalties laws, including the civil False Claims Act, impose criminal and civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for, among other things, executing or attempting to execute a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal Physician Payments Sunshine Act requires applicable manufacturers of covered drugs, devices, biologics, and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to report to CMS annually information regarding payments and other transfers of value to physicians and teaching hospitals as well as information regarding ownership and investment interests help by physicians and their immediate family members. The information was made publicly available on a searchable website in September 2014 and will be disclosed on an annual basis; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require biotechnology companies to comply with the biotechnology industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and may require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our current and future business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from participation in government funded healthcare programs, such as Medicare and Medicaid, contractual damages, reputational harm, diminished profits and future earnings, and the curtailment or restructuring of our operations. Defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired. Further, if any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include failures to comply with FDA regulations, to provide accurate information to the FDA, to comply with federal and state health care fraud and abuse laws and regulations, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the health care 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. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We intend to adopt a code of conduct prior to the closing of this offering, but 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, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Risks Related to Intellectual Property

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

Our success depends in significant part on our and our licensors', licensees' or collaborators' ability to establish, maintain and protect patents and other intellectual property rights and operate without infringing the intellectual property rights of others. We have filed numerous patent applications both in the United States and in foreign jurisdictions to obtain patent rights to inventions we have discovered. We have also licensed from third parties rights to patent portfolios. Some of these licenses give us the right to prepare, file and prosecute patent applications and maintain and enforce patents we have licensed, and other licenses may not give us such rights.

The patent prosecution process is expensive and time-consuming, and we and our current or future licensors, licensees or collaborators may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we or our licensors, licensees or collaborators will fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Moreover, in some circumstances, we may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology that we license from or license to third parties and are reliant on our licensors, licensees or collaborators. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. If our current or future licensors, licensees or collaborators fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If our licensors, licensees or collaborators are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised.

The patent position of biotechnology companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our and our current or future licensors', licensees' or collaborators' patent rights are highly uncertain. Our and our licensors', licensees' or collaborators' pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products. The patent examination process may require us or our licensors, licensees or collaborators to narrow the scope of the claims of our or our licensors', licensees' or collaborators' pending and future patent

applications, which may limit the scope of patent protection that may be obtained. In the past, we have not always been able to obtain the full scope of patent protection we have initially sought in our patent applications, and as described above and as is typical for most biotechnology patent prosecution, we have been required to narrow or eliminate patent claims as part of the patent prosecution process. In addition, some patent applications that we or our licensors have filed have not resulted in issued patents because we or our licensors have abandoned those patent applications as changes in business and/or legal strategies dictated.

We cannot assure you that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue and even if such patents cover our product candidates, third parties may an initiate opposition, interference, re-examination, post-grant review, inter partes review, nullification or derivation action in court or before patent offices, or similar proceedings challenging the validity, enforceability or scope of such patents, which may result in the patent claims being narrowed or invalidated. Our and our licensors', licensees' or collaborators' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications, and then only to the extent the issued claims cover the technology.

Because patent applications in the United States and most other countries are confidential for a period of time after filing, and some remain so until issued, we cannot be certain that we or our licensors were the first to file any patent application related to a product candidate. Furthermore, if third parties have filed such patent applications on or before March 15, 2013, an interference proceeding in the United States can be initiated by such third parties to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. If third parties have filed such applications after March 15, 2013, a derivation proceeding in the United States can be initiated by such third parties to determine whether our invention was derived from theirs. Even where we have a valid and enforceable patent, we may not be able to exclude others from practicing our invention where the other party can show that they used the invention in commerce before our filing date or the other party benefits from a compulsory license. In addition, 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. filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our product candidates are obtained, once the patent life has expired for a product, we may be open to competition from competitive medications, including biosimilar or generic medications.

Furthermore, given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. We expect to seek extensions of patent terms where these are available in any countries where we are prosecuting patents. This includes in the United States under the Drug Price Competition and Patent Term Restoration Act of 1984, which permits a patent term extension of up to five years beyond the expiration of the patent. However the applicable authorities, including the FDA and the U.S. Patent and Trademark Office, or USPTO, in the United States, and any equivalent foreign regulatory authority, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. If this occurs, our competitors may take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

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

Filing, prosecuting, enforcing and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our or our licensors' or collaborators' intellectual property rights may not exist in some countries outside the United States or may be less extensive in some countries than in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we and our licensors or collaborators

may not be able to prevent third parties from practicing our and our licensors' or collaborators' inventions in all countries outside the United States, or from selling or importing products made using our and our licensors' or collaborators' inventions in and into the United States or other jurisdictions. Competitors may use our and our licensors' or collaborators' technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we and our licensors or collaborators have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our product candidates, and our and our licensors' or collaborators' 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 biotechnology, which could make it difficult for us and our licensors or collaborators to stop the infringement of our and our licensors' or collaborators' patents or marketing of competing products in violation of our and our licensors' or collaborators' proprietary rights generally. Proceedings to enforce our and our licensors' or collaborators' patent rights in foreign jurisdictions could result in substantial costs and divert our and our licensors' or collaborators' efforts and attention from other aspects of our business, could put our and our licensors' or collaborators' patents at risk of being invalidated or interpreted narrowly and our and our licensors' or collaborators' patent applications at risk of not issuing and could provoke third parties to assert claims against us or our licensors or collaborators. We or our licensors or collaborators may not prevail in any lawsuits that we or our licensors or collaborators initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful.

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

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involve technological and legal complexity, and obtaining and enforcing biopharmaceutical patents is costly, time-consuming, and inherently uncertain.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our and our licensors' or collaborators' patent applications and the enforcement or defense of our or our licensors' or collaborators' issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted and may also affect patent litigation.

An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a "first-to-file" system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the USPTO after that date but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application, but circumstances could prevent us from promptly filing patent applications on our inventions.

Among some of the other changes introduced by the AIA are changes that limit where a patentee may file a patent infringement suit and providing opportunities for third parties to challenge any issued patent in the USPTO. This applies to all of our U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to

invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. The Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

The USPTO recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and, in particular, the first to file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our or our licensors' or collaborators' patent applications and the enforcement or defense of our or our licensors' or collaborators' issued patents, all of which could have an adverse effect on our business and financial condition.

Moreover, in recent years, the Supreme Court and the U.S. Court of Appeals for the Federal Circuit have rendered decisions in several patent cases such as Association for Molecular Pathology v. Myriad Genetics, Inc. (Myriad I), BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litig., (Myriad II), Mayo Collaborative Services v. Prometheus Laboratories, Inc., and Alice Corporation Pty. Ltd. v. CLS Bank International, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our and our licensors' or collaborators' 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 and our licensors' or collaborators' ability to obtain new patents or to enforce existing patents and patents that we and our licensors or collaborators may obtain in the future.

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

Periodic maintenance and annuity fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors or collaborators fail to maintain the patents and patent applications covering our product candidates, our competitors might be able to enter the market, which would have an adverse effect on our business.

Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them or that our trade secrets will be misappropriated or disclosed.

Because we collaborate with various collaborators on the development and commercialization of one or more of our product candidates and because we rely on third parties to manufacture our product candidates, we must, at times, share trade secrets with them. We seek to protect our wholly-owned technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, consulting agreements or other similar agreements with our advisors, employees, third-party contractors and consultants prior to disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, including our trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information 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. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure would impair our competitive position and may have an adverse effect on our business.

In addition, these agreements typically restrict the ability of our advisors, employees, third-party contractors and consultants to publish data potentially relating to our trade secrets, although our agreements may contain certain limited publication rights. For example, any academic institution that we may collaborate with in the future may be granted rights to publish data arising out of such collaboration, provided that we are notified in advance and given the opportunity to delay publication for a limited time period in order for us to secure patent protection of intellectual property rights arising from the collaboration, in addition to the opportunity to remove confidential or trade secret information from any such publication. Our existing collaborative research and development programs may require us to share trade secrets under the terms of our research and development collaborations or similar agreements. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of our agreements with third parties, independent development or publication of information by any of our third-party collaborators. A competitor's discovery of our trade secrets would impair our competitive position and have an adverse impact on our business.

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

Third parties may infringe our or our licensors' or collaborators' patents or misappropriate or otherwise violate our or our licensors' or collaborators' intellectual property rights. In the future, we or our licensors or collaborators may initiate legal proceedings to enforce or defend our or our licensors' or collaborators' intellectual property rights, to protect our or our licensors' or collaborators' trade secrets or to determine the validity or scope of intellectual property rights we own or control. Also, third parties may initiate legal proceedings against us or our licensors or collaborators to challenge the validity or scope of intellectual property rights we own or control. These proceedings can be expensive and time-consuming, and many of our or our licensors' or collaborators' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensors or collaborators. In addition, in an infringement proceeding, a court may decide that a patent owned by or licensed to us is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our or our licensors' or collaborators' patents do not cover the technology in question. Furthermore, an adverse result in any litigation or administrative proceeding could put one or more of our or our licensors' or collaborators' patents at risk of being invalidated, held unenforceable or interpreted narrowly.

Accordingly, despite our or our licensors' or collaborators' efforts, we or our licensors or collaborators may not prevent third parties from infringing upon or misappropriating intellectual property rights we own or control, particularly in countries where the laws may not protect those rights as fully as in the United States. In addition, litigation and administrative proceedings could result in substantial costs and diversion of management resources, which could harm our business and financial results.

Within and outside of the United States, there has been a substantial amount of litigation and administrative proceedings regarding patent and other intellectual property rights in the pharmaceutical industry including opposition, derivation, reexamination, inter partes review or interference proceedings, or other preissuance or post-grant proceedings in the United States or other jurisdictions. Such proceedings may be provoked by third parties or by us or our licensors or collaborators to protect or enforce our or our licensors' or collaborators' patents or patent applications. Additionally, third-party preissuance submission of prior art to the USPTO or other foreign jurisdictions may jeopardize the issuance or scope of our or our licensors' or collaborators' patent applications. An unfavorable outcome in any such proceedings could require us or our licensors or collaborators 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 or our licensors or collaborators a license on commercially reasonable terms or at all, and we could be forced to stop commercializing our product candidates.

Even if we or our licensors or collaborators obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us or our licensors or collaborators.

In addition, if the breadth or strength of protection provided by our or our licensors' or collaborators' patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates. Even if we successfully defend such litigation or proceeding, we may incur substantial costs, and it may distract our management and other employees. We could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. 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 an adverse effect on the price of shares of our common stock.

If we breach the license agreements related to our product candidates, we could lose the ability to continue the development and commercialization of our product candidates.

Our commercial success depends upon our ability, and the ability of our licensors and collaborators, to develop, manufacture, market and sell our product candidates and use our and our licensors' or collaborators' wholly-owned technologies without infringing the proprietary rights of third parties. A third party may hold intellectual property, including patent rights that are important or necessary to the development of our products. As a result, we are a party to a number of technology licenses that are important to our business and expect to enter into additional licenses in the future. For example, we have in-licensed the rights to certain intellectual property relating to SHM under our in-license agreement with the Medical Research Council, which is the subject of issued patents and pending patent applications in certain countries. If we fail to comply with the obligations under these agreements, including payment and diligence terms, our licensors may have the right to terminate these agreements, in which event we may not be able to develop, manufacture, market or sell any product that is covered by these agreements or may face other penalties under the agreements. Such an occurrence could adversely affect the value of the product candidate being developed under any such agreement. Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements, which may not be available to us on equally favorable terms, or at all, or cause us to lose our rights under these agreements, including our rights to intellectual property or technology important to our development programs.

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

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under any collaboration relationships we might enter into in the future;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our collaborators; and
- the priority of invention of patented technology.

If disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates.

Third parties may initiate legal proceedings against us alleging that we infringe their intellectual property rights or we may initiate legal proceedings against third parties to challenge the validity or scope of intellectual property rights controlled by third parties, the outcome of which would be uncertain and could have an adverse effect on the success of our business.

Third parties may initiate legal proceedings against us or our licensors or collaborators alleging that we or our licensors or collaborators infringe their intellectual property rights, or we or our licensors or collaborators may initiate legal proceedings against third parties to challenge the validity or scope of intellectual property rights controlled by third parties, including in oppositions, interferences, reexaminations, inter partes reviews or derivation proceedings in the United States or other jurisdictions. These proceedings can be expensive and time-consuming, and many of our or our licensors' or collaborators' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensors or collaborators.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and employee resources from our business. An unfavorable outcome could require us or our licensors or collaborators to cease using the related technology or developing or commercializing our product candidates, or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us or our licensors or collaborators a license on commercially reasonable terms or at all. Even if we or our licensors or collaborators obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us or our licensors or collaborators. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could harm our business.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees, including our senior management, were previously employed at universities or at other biopharmaceutical companies, including our competitors or potential competitors. Some of these employees executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed confidential information or intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights 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 products. Such a license may not be available on commercially reasonable terms or at all. Even if we successfully prosecute or defend against such claims, litigation could result in substantial costs and distract management.

Our inability to protect our confidential information and trade secrets would harm our business and competitive position.

In addition to seeking patents for some of our technology and products, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties. We also enter into

confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, 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. 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 both within and outside the United States may be less willing or unwilling to protect trade secrets. Furthermore, if a competitor lawfully obtained or independently developed any of our trade secrets, 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. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret.

If we do not obtain protection under the Hatch-Waxman Amendments and similar foreign legislation for extending the term of patents covering each of our product candidates, our business may be harmed.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit 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 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. 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 that product 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, possibly materially.

Risks Related to this Offering and Ownership of Our Common Stock

We do not know whether an active, liquid and orderly trading market will develop for our common stock or what the market price of our common stock will be and as a result it may be difficult for you to sell your shares of our common stock.

Prior to this offering, no market for shares of our common stock existed and an active trading market for our shares may never develop or be sustained following this offering. We will determine the initial public offering price for our common stock through negotiations with the underwriters, and the negotiated price may not be indicative of the market price of our common stock after this offering. The market value of our common stock may decrease from the initial public offering price. As a result of these and other factors, you may be unable to resell your shares of our common stock at or above the initial public offering price. 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. The lack of an active market may also reduce the fair market value of your shares. Furthermore, an inactive market may also impair our ability to raise capital by selling shares of our common stock and may impair our ability to enter into strategic collaborations or acquire companies or products by using our shares of common stock as consideration.

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

The trading price of our common stock following this offering is likely to be highly volatile and subject to wide fluctuations in response to various factors, some of which we cannot control. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this prospectus, these factors include:

- the success of competitive products;
- regulatory actions with respect to our products or our competitors’ products;
- actual or anticipated changes in our growth rate relative to our competitors;

- announcements by us or our competitors of significant acquisitions, strategic collaborations, joint ventures, collaborations or capital commitments;
- results of preclinical studies and clinical trials of our product candidates or those of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- developments with respect to our existing collaboration agreements and announcements of new collaboration agreements;
- the results of our efforts to in-license or acquire additional product candidates or products;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us, our insiders or our other stockholders;
- changes in the structure of healthcare payment systems;
- market conditions in the biotechnology sector; and
- general economic, industry and market conditions.

In addition, the stock market in general, and the NASDAQ Global Market and biotechnology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. The realization of any of the above risks or any of a broad range of other risks, including those described in this “Risk Factors” section, could have a dramatic and adverse impact on the market price of our common stock.

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

Our management will have broad discretion in the application of the net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. You will not have the opportunity, as part of your investment decision, to assess whether we are using the proceeds appropriately. Our management might not apply our net proceeds in ways that ultimately increase the value of your investment. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

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

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

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

Prior to this offering, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially owned approximately 84.6% 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' over-allotment option, no exercise of outstanding options or warrants and no purchases of shares in this offering by any of this group), in each case assuming the conversion of all outstanding shares of our convertible preferred stock into shares of our common stock immediately prior to the closing of this offering. After this offering, this group of stockholders will have the ability to control us through this ownership position even if they do not purchase any additional shares in this offering. 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. The interests of this group of stockholders may not always coincide with your interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of other stockholders, including seeking a premium value for their common stock, and might affect the prevailing market price for our common stock.

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

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

This dilution is due to our investors who purchased shares prior to this offering having paid substantially less when they purchased their shares than the price offered to the public in this offering and the exercise of stock options granted to our employees. In addition, as of June 30, 2015, options to purchase 8,657,422 shares of our common stock at a weighted-average exercise price of $0.1870 per share, warrants exercisable for 822,386 shares of our common stock at an exercise price of $0.65 per share and warrants exercisable for Series C convertible preferred stock convertible into 2,063,484 shares of our common stock at an exercise price of $0.65 per share were outstanding. Additional options to purchase 5,496,050 shares of our common stock at an exercise price of $0.99 per share were granted between June 30, 2015 and August 17, 2015. The exercise of any of these options would result in additional dilution. As a result of the dilution to investors purchasing shares in this offering, investors may receive significantly less than the purchase price paid in this offering, if anything, in the event of our liquidation. For a further description of the dilution that you will experience immediately after this offering, see "Dilution."

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

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

approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year (a) following the fifth anniversary of the closing of our initial public offering, (b) in which we have total annual gross revenue of at least $1 billion or (c) in which we are deemed to be a large accelerated filer, which requires the market value of our common stock that is held by non-affiliates to exceed $700 million as of the prior June 30th, and (ii) the date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period.

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

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

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company, and these expenses may increase even more after we are no longer an "emerging growth company." We will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Protection Act, as well as rules adopted, and to be adopted, by the SEC and the NASDAQ Global Market. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, we expect these rules and regulations to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly. The increased costs will increase our net loss. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain the sufficient coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

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

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. After this offering, we will have outstanding shares of common stock based on the number of shares outstanding as of June 30, 2015, assuming: (i) no exercise of the underwriters' option to purchase additional shares and (ii) the conversion of all outstanding shares of our convertible preferred stock into 80,645,053 shares of common stock immediately prior to the closing of this offering. This includes the shares that we sell in this offering, which may be resold in the public market immediately without restriction, unless purchased by our affiliates. Of the remaining shares, shares of our common stock are currently restricted as a result of securities laws or lock-up agreements but will be able to be sold after this offering as described in the "Shares Eligible for Future Sale" section of this prospectus. Moreover, after this offering, holders of an aggregate of shares of our common stock will have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in

registration statements that we may file for ourselves or other stockholders. We also intend to register all shares of common stock that we may issue under our equity incentive plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates and the lock-up agreements described in the "Underwriting" section of this prospectus.

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

We expect that significant additional capital may be needed in the future to continue our planned operations, including conducting clinical trials, commercialization efforts, expanded research and development activities and costs associated with operating a public company. To raise capital, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities, investors may be materially diluted by subsequent sales. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to the holders of our common stock, including shares of common stock sold in this offering.

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

Upon the closing of this offering, we will become subject to the periodic reporting requirements of the Exchange Act. We designed our disclosure controls and procedures to reasonably assure that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

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

We have never declared or paid any cash dividend on our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

Provisions in our restated certificate of incorporation and restated bylaws and Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the market price of our common stock.

Our restated certificate of incorporation and restated bylaws, as we expect they will be in effect upon closing of the offering, will contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions, among other things:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;

- provide that directors may only be removed "for cause" and only with the approval of two-thirds of our stockholders;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder rights plan (also known as a "poison pill");
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15% or more of our common stock.

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 target animal studies 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 plan to use potential future operating losses and our federal and state net operating loss, or NOL, carryforwards to offset taxable income from revenue generated from operations or corporate collaborations. However, our ability to use NOL carryforwards could be limited as a result of issuance of equity securities.

We plan to use our current year operating losses to offset taxable income from any revenue generated from operations or corporate collaborations. To the extent that our taxable income exceeds any current year operating losses, we plan to use our NOL carryforwards to offset income that would otherwise be taxable. However, under the Tax Reform Act of 1986, the amount of benefits from our NOL carryforwards may be impaired or limited if we incur a cumulative ownership change of more than 50%, as interpreted by the U.S. Internal Revenue Service, over a three-year period. As a result, our use of federal NOL carryforwards could be limited by the provisions of Section 382 of the U.S. Internal Revenue Code of 1986, as amended, depending upon the timing and amount of additional equity securities that we have issued or will issue, including as a result of this offering. State NOL carryforwards may be similarly limited. Any such disallowances may result in greater tax liabilities than we would incur in the absence of such a limitation and any increased liabilities could adversely affect our business, results of operations, financial condition and cash flow.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business” contains forward-looking statements. The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan” “expect,” and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements.

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

- the success, cost and timing of our product candidate development activities and planned clinical trials;
- our plans to develop and commercialize antibodies, including our lead product candidates ANB020 for patients with severe allergic and atopic diseases and ANB019 for patients with GPP and PPP;
- the likelihood that the clinical data generated in Australia will be subsequently accepted by the FDA and its foreign equivalents outside of Australia.
- the timing and ability of our collaborators to develop and commercialize our partnered product candidates;
- the potential benefits and advantages of our product candidates and approaches versus those of our competitors;
- our ability to execute on our strategy, including advancing our lead product candidates, identifying emerging opportunities in key therapeutic areas, continuing to expand our wholly-owned pipeline and retaining rights to strategic products in key commercial markets;
- our ability to obtain funding for our operations, including funding necessary to complete further development and commercialization of our product candidates;
- the timing of and our ability to obtain and maintain regulatory approvals for ANB020 and ANB019 and our other product candidates;
- our ability to develop our product candidates;
- the rate and degree of market acceptance and clinical utility of any approved product candidates;
- the size and growth potential of the markets for any approved product candidates, and our ability to serve those markets;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our expectations regarding our ability to obtain and maintain intellectual property protection for our product candidates;
- regulatory developments in the United States, Australia and other foreign countries;
- the success of competing therapies that are or may become available;
- our ability to attract and retain key scientific or management personnel;
- our use of the net proceeds from this offering;
- our ability to identify additional products or product candidates with significant commercial potential that are consistent with our commercial objectives; and
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Risk Factors” and elsewhere in this prospectus. Moreover, we operate in a competitive and

rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, 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. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity, and market size, is based on information from various sources on assumptions that we have made that are based on those data and other similar sources and on our knowledge of the markets for our products. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we believe the market position, market opportunity and market size information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

USE OF PROCEEDS

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

A $1.00 increase (decrease) in the assumed initial public offering price would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of shares offered by us, remains the same, and after deducting estimated underwriting discounts and commissions. Similarly, each increase or decrease of one million in the number of shares of common stock offered by us would increase or decrease the net proceeds that we receive from this offering by $ million, assuming that the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We currently intend to use the net proceeds we receive from this offering as follows:

- approximately $ million to fund development of ANB019 and ANB020 through initial clinical trials intended to demonstrate efficacy in multiple indications;
- approximately $ million to fund continued development of other wholly-owned product candidates and discovery of new product candidates to further expand our proprietary pipeline; and
- any remaining amounts to fund working capital, including general corporate purposes.

Based on our planned use of the net proceeds, we estimate such funds, together with our existing cash and cash equivalents, will be sufficient for us to fund our operating expenses and capital expenditure requirements through at least the next 24 months.

The expected use of the net proceeds from the offering represents our intentions based upon our current plans and business conditions. As of the date of this prospectus, we cannot predict with any certainty all of the particular uses for the net proceeds or the amounts that we will actually spend on the uses set forth above. We may use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions or businesses that complement our business, although we have no present commitments or agreements.

The amounts and timing of our clinical expenditures and the extent of clinical development may vary significantly depending on numerous factors, including the status, results and timing of our current preclinical studies and clinical trials we may commence in the future, product approval process with the FDA and other regulatory agencies, our current collaborations and any new collaborations we may enter into with third parties and any unforeseen cash needs. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering.

The expected net proceeds of this offering will not be sufficient for us to fund any of our product candidates through regulatory approval, and we will need to raise substantial additional capital to complete the development and commercialization of our product candidates.

Pending their use as described above, we intend to invest the net proceeds from this offering in short term, investment-grade interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. In addition, under the terms of our current credit facility, we are prohibited from paying cash dividends without the consent of Silicon Valley Bank.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2015 on:

- an actual basis;
- a pro forma basis, giving effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 42,208,202 shares of common stock immediately prior to the closing of this offering, (ii) the sale and issuance of 38,436,851 shares of our Series D convertible preferred stock in a private placement by us in July 2015, (iii) the automatic conversion of 38,436,851 shares of Series D convertible preferred stock into 38,436,851 shares of common stock immediately prior to the closing of this offering, (iv) the related reclassification of the preferred stock warrant liability to additional paid-in capital upon the conversion of the shares of convertible preferred stock underlying the warrants that make up the liability, and (v) the effectiveness of our restated certificate of incorporation in connection with the closing of this offering; and
- a pro forma as adjusted basis, giving effect to the pro forma adjustments and the sale of shares of common stock by us in this offering, 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.

The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited consolidated financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2015 (unaudited)		
(in thousands, except share and par value data)	**Actual**	**Pro Forma**	**Pro Forma As Adjusted**
Cash and cash equivalents	$ 16,894	$	$
Notes payable	$ 4,848	$	$
Preferred stock warrant liabilities	1,720		
Series B convertible preferred stock, $0.001 par value; 27,742,879 shares authorized, 27,742,879 shares issued and outstanding, actual; no shares designated, issued or outstanding pro forma and pro forma as adjusted	28,220		
Series C convertible preferred stock, $0.001 par value; 17,982,024 shares authorized, 11,147,269 shares issued and outstanding, actual; no shares designated, issued or outstanding pro forma and pro forma as adjusted	6,452		
Series C-1 convertible preferred stock, $0.001 par value; 10,500,000 shares authorized, 3,318,054 shares issued and outstanding, actual; no shares designated, issued or outstanding pro forma and pro forma as adjusted	2,156		
Series D convertible preferred stock, $0.001 par value; no shares designated, issued or outstanding, actual, pro forma and pro forma as adjusted	—		
Stockholders' equity (deficit):			
Preferred Stock, $0.001 par value; no shares authorized, issued or outstanding, actual; shares authorized, no shares issued or outstanding, pro forma and pro forma as adjusted	—		
Common stock, $0.001 par value; 79,000,000 shares authorized, 17,811,491 shares issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding, pro forma as adjusted	18		
Additional paid in capital	14,697		
Accumulated deficit	(45,690)		
Total stockholders' equity (deficit)	(30,975)		
Total capitalization	$ 12,421	$	$

(1) Each $1.00 increase (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 (decrease) each of our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity (deficit) and total capitalization by approximately $ million, assuming that the number of shares offered by us remains the same and after deducting estimated underwriting discounts and commissions. Similarly, each increase (decrease) of one million shares in the number of shares offered by us would increase (decrease) each of our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity (deficit) and total capitalization by approximately $ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions.

The number of shares of our common stock to be outstanding after this offering is based on 98,456,544 shares of our common stock outstanding as of June 30, 2015, and gives effect to the sale and issuance of 38,436,851 shares of Series D convertible preferred stock at a price of $1.06 per share in a private placement by us in July 2015.

The number of shares of our common stock to be outstanding after this offering excludes:

- 8,657,422 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2015, with a weighted-average exercise price of $0.1870 per share;
- 5,496,050 shares of common stock issuable upon the exercise of options granted between June 30, 2015 and August 17, 2015, with an exercise price of $0.99 per share;
- shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of (a) 3,176,670 shares of common stock reserved for future issuance under our 2006 Equity Incentive Plan as of August 17, 2015, (b) shares of common stock reserved for future issuance under our 2015 Equity Incentive Plan, which will become effective on the date immediately prior to the date of this prospectus and (c) shares of common stock reserved for future issuance under our 2015 Employee Stock Purchase Plan, which will become effective on the date of this prospectus. Upon the closing of this offering, any remaining shares available for issuance under our 2006 Equity Incentive Plan will be added to the shares reserved under our 2015 Equity Incentive Plan and we will cease granting awards under our 2006 Equity Incentive Plan. Our 2015 Equity Incentive Plan and 2015 Employee Stock Purchase Plan also provide for automatic annual increases in the number of shares reserved under the plans each year, as more fully described in "Executive Compensation—Employee Benefit and Stock Plans";
- 822,386 shares of our common stock issuable upon exercise of warrants for shares of common stock with an exercise price of $0.65 per share, that do not expire upon the closing of this offering; and
- 2,063,484 shares of common stock issuable upon the exercise of warrants to purchase shares of Series C convertible preferred stock that were outstanding as of June 30, 2015, with an exercise price of $0.65 per share, that do not expire upon the closing of this offering.

DILUTION

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

As of June 30, 2015, our pro forma net tangible book value was approximately $47.8 million, or $0.49 per share of common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of our common stock outstanding as of June 30, 2015, assuming (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 42,208,202 shares of common stock as of immediately prior to the closing of this offering, (ii) the sale and issuance of 38,436,851 shares of our Series D convertible preferred stock in a private placement by us in July 2015, (iii) the automatic conversion of 38,436,851 shares of Series D convertible preferred stock into 38,436,851 shares of common stock immediately prior to the closing of this offering, and (iv) the related reclassification of the preferred stock warrant liability to additional paid-in capital upon the conversion of the shares of convertible preferred stock underlying the warrants that make up the liability.

After giving effect to our sale in this offering of shares of our common stock 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 estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of June 30, 2015 would have been approximately $ million, or $ per share of our common stock. This represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to investors purchasing shares in this offering, as follows:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of June 30, 2015	$0.49	
Increase in pro forma net tangible book value per share attributable to new investors		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to investors in this offering		$

A $1.00 increase (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 (decrease) our pro forma net tangible book value, as adjusted to give effect to this offering, by $ per share, the increase (decrease) attributable to this offering by $ per share, and the dilution in pro forma as adjusted net tangible book value per share to new investors in this offering by $ per share, assuming the number of shares 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 of one million shares in the number of shares offered by us in this offering would increase our pro forma as adjusted net tangible book value per share, and decrease the dilution per share to investors in this offering, by $ per share. Each decrease of one million shares in the number of shares offered by us would decrease our pro forma as adjusted net tangible book value per share, and increase the dilution per share to investors in this offering, by $ per share.

If the underwriters exercise their option in full to purchase additional shares, the pro forma net tangible book value per share of our common stock after giving effect to this offering would be $ per share, and the dilution in net tangible book value per share to investors in this offering would be $ per share.

The following table summarizes, on a pro forma as adjusted basis as of June 30, 2015 after giving effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 42,208,202 shares of

common stock as of immediately prior to the closing of this offering, (ii) the sale and issuance of 38,436,851 shares of our Series D convertible preferred stock in a private placement by us in July 2015, (iii) the automatic conversion of 38,436,851 shares of Series D convertible preferred stock into 38,436,851 shares of common stock immediately prior to the closing of this offering, and (iv) the issuance 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, the difference between existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid, before deducting underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
	(in thousands, except percentage and per share data)				
Existing stockholders		%	$	%	$
New public investors					$
Total		100%	$	100%	

A $1.00 increase (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 (decrease) total consideration paid by new investors and total consideration paid by all stockholders by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

To the extent that any outstanding options are exercised, investors will experience further dilution.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares. 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 closing of this offering.

The number of shares of our common stock to be outstanding after this offering is based on 98,456,544 shares of our common stock outstanding as of June 30, 2015, and gives effect to the sale and issuance of 38,436,851 shares of Series D convertible preferred stock at a price of $1.06 per share in a private placement by us in July 2015.

The number of shares of our common stock to be outstanding after this offering excludes:

- 8,657,422 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2015, with a weighted-average exercise price of $0.1870 per share;
- 5,496,050 shares of common stock issuable upon the exercise of options granted between June 30, 2015 and August 17, 2015, with an exercise price of $0.99 per share;
- shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of (a) 3,176,670 shares of common stock reserved for future issuance under our 2006 Equity Incentive Plan as of August 17, 2015, (b) shares of common stock reserved for future issuance under our 2015 Equity Incentive Plan, which will become effective on the date immediately prior to the date of this prospectus and (c) shares of common stock reserved for future issuance under our 2015 Employee Stock Purchase Plan, which will become effective on the date of this prospectus. Upon the closing of this offering, any remaining shares available for issuance under our 2006 Equity Incentive Plan will be added to the shares reserved under our 2015 Equity Incentive Plan and we will cease granting awards under our 2015 Equity Incentive Plan. Our 2015 Equity Incentive Plan and 2015

Employee Stock Purchase Plan also provide for automatic annual increases in the number of shares reserved under the plans each year, as more fully described in “Executive Compensation—Employee Benefit and Stock Plans”;

- 822,386 shares of our common stock issuable upon exercise of warrants for shares of common stock with an exercise price of $0.65 per share, that do not expire upon the closing of this offering; and
- 2,063,484 shares of common stock issuable upon the exercise of warrants to purchase shares of Series C convertible preferred stock that were outstanding as of June 30, 2015, with an exercise price of $0.65 per share, that do not expire upon the closing of this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected statements of operations data for the years ended December 31, 2013 and 2014 and the balance sheet data as of December 31, 2013 and 2014 are derived from our audited financial statements included elsewhere in this prospectus. The selected consolidated statement of operations data for the six months ended June 30, 2014 and 2015 and the consolidated balance sheet data as of June 30, 2015 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our unaudited consolidated financial statements have been prepared on the same basis as our audited financial statements and, in the opinion of management, reflect all adjustments, which consist only of normal recurring adjustments, necessary for the fair statement of those unaudited consolidated financial statements. The selected consolidated financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in any future period and the results for the six months ended June 30, 2015 are not necessarily indicative of results to be expected for the full year. The selected financial data in this section are not intended to replace the financial statements and are qualified in their entirety by the financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,		Six Months Ended June 30,	
(in thousands, except per share data)	**2013**	**2014**	**2014**	**2015**
			(unaudited)	
Consolidated Statements of Operations Data:				
Collaboration revenue	$ 5,483	$15,838	$ 5,979	$ 8,979
Operating expenses:				
Research and development	8,820	8,614	3,878	6,389
General and administrative	1,950	2,354	1,230	1,626
Total operating expenses	10,770	10,968	5,108	8,015
Income (loss) from operations	(5,287)	4,870	871	964
Other income (expense), net				
Interest income	1	2	(1,270)	(229)
Interest expense	(886)	(1,281)	(30)	(1,151)
Change in fair value of liability for preferred stock warrants	627	(59)	1	(15)
Total other expense, net	(258)	(1,338)	(1,299)	(1,395)
Net income (loss)	(5,545)	3,532	(428)	(431)
Net income attributed to participating securities	—	(3,300)	—	—
Net income (loss) attributed to common stockholders	$ (5,545)	$ 232	$ (428)	$ (431)
Net income (loss) per common share:(1)				
Basic	$ (0.71)	$ 0.01	$ (0.02)	$ (0.02)
Diluted	$ (0.71)	$ 0.01	$ (0.02)	$ (0.02)
Weighted-average number of shares outstanding:(1)				
Basic	7,787	17,368	17,368	17,583
Diluted	7,787	18,627	17,368	17,583
Pro forma net income (loss) per common share (unaudited):(1)				
Basic		$ 0.06		$ (0.01)
Diluted		$ 0.06		$ (0.01)
Pro forma weighted-average number of shares outstanding (unaudited):(1)				
Basic		58,473		59,791
Diluted		59,732		59,791

(1) See Note 2 to our annual and interim consolidated financial statements for an explanation of the method used to calculate basic and diluted net income (loss) per common share, unaudited pro forma basic and diluted net income (loss) per common share and the weighted-average number of shares used in the computation of the per share amounts.

(in thousands)	As of December 31, 2013	As of December 31, 2014	As of June 30, 2015 (unaudited)
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 2,810	$ 22,188	$ 16,894
Total assets	3,914	25,065	22,291
Convertible promissory notes, current portion	818	—	—
Notes payable, current portion	—	—	634
Notes payable, noncurrent portion	—	4,793	4,214
Preferred stock warrant liabilities	386	569	1,720
Convertible preferred stock	34,672	36,828	36,828
Total stockholders' equity (deficit)	(34,527)	(30,835)	(30,975)

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 in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this prospectus. This discussion contains 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 the forward-looking statements contained in the following discussion and analysis.

Overview

We are a biotechnology company developing first-in-class antibody product candidates focused on unmet medical needs in inflammation and immuno-oncology. We develop our product candidates using our proprietary antibody discovery technology platform, which is designed to replicate, *in vitro*, the natural process of antibody generation. Our platform is based upon a breakthrough understanding of somatic hypermutation, the key biological process utilized to generate antibodies, which enables us to rapidly develop highly functional antibody drug candidates against emerging biological targets. Our most advanced, wholly-owned programs, ANB020 and ANB019, are being developed to treat severe inflammatory disorders with unmet medical need. In 2016, we plan to initiate clinical trials of ANB020, an antibody that inhibits the activity of interleukin-33 for the treatment of severe adult asthma and severe adult peanut allergy, and ANB019, an antibody that inhibits the interleukin-36 receptor for the treatment of rare inflammatory diseases called generalized pustular psoriasis and palmo-plantar pustular psoriasis. Our company is led by a strong management team with a proven track record of successfully growing biotechnology companies with deep experience in antibody discovery and development, collaborations, operations and corporate finance. Our investors include Biotechnology Value Fund, Cormorant Asset Management, Frazier Healthcare, HBM Partners, Longwood Capital Partners and Novo A/S.

Additionally, we have entered into multiple collaborations from which we expect four programs will enter the clinic in the next 18 months. Our collaborations include an immuno-oncology-focused collaboration with TESARO and an inflammation-focused collaboration with Celgene. Through July 31, 2015, we have received non-dilutive funding of $48.7 million from our collaborators.

We intend to continue generating additional therapeutic antibodies against emerging biological targets across various disease applications, including immuno-oncology, inflammation and other unmet medical needs. In general, our strategy is to advance our pipeline programs to key inflection points, and leverage partnerships with pharmaceutical and biotechnology companies where appropriate.

We have generated multiple antibodies by using our SHM-XEL platform certain of which are currently being advanced by our partners to key preclinical, clinical and commercial milestones, which we anticipate will generate additional cash receipts for us. To the extent that these product candidates are commercialized, we will also be entitled to royalty payments upon commercial sales of the associated products.

We have incurred losses in each period since our inception in 2005, except for 2014 in which we received $19.0 million from two upfront payments and recognized revenue of $11.5 million during 2014 following the execution of our strategic collaboration with TESARO. Accordingly, for the year ended December 31, 2014 we reported net income of $3.5 million. As of June 30, 2015, we had an accumulated deficit of $45.7 million. We expect to continue to incur net operating losses for at least the next several years as we advance our products through clinical development, seek regulatory approval, prepare for and, if approved, proceed to, commercialization, expand our operations and facilities and grow in new and existing markets, territories and industries. We will need substantial additional funding to pay expenses relating to our operating activities, including significant research and development expenses. Adequate funding may not be available to us on acceptable terms, or at all. Our failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations or financial condition.

Financial Overview

Collaboration Revenue

We have not generated any revenue from product sales. Our revenue has been derived from amortization of upfront payments, research and development funding and milestone payments under collaboration and license agreements with our collaborators.

Collaboration and Exclusive License Agreement with TESARO

In March 2014, we entered into an exclusive worldwide license and collaboration agreement with TESARO for the development and commercialization of therapeutic monospecific and bispecific antibodies that antagonize PD-1, TIM-3 and/or LAG-3. We received $17.0 million in upfront fees from TESARO in March 2014, and in November 2014, we amended the agreement with TESARO to include the development and commercialization of bispecific antibodies to another undisclosed target, for an additional upfront fee of $2.0 million. Both upfront fees are being recognized as revenue through March 2016, which is the same period that our research and development services, for which we are reimbursed, are performed. From inception of the agreement through June 30, 2015, we have recognized $20.5 million in total revenue from TESARO.

For each of the four targets under the TESARO agreement, we are eligible to receive up to $273.0 million in milestone payments, which are comprised of $18.0 million for preclinical and clinical development milestone payments, $90.0 million upon certain regulatory events and $165.0 million upon worldwide commercial sales thresholds. In addition, TESARO is obligated to pay us tiered single-digit royalties on annualized net sales of each antibody commercialized from the collaboration. In June 2015, TESARO initiated *in vivo* toxicology studies using good laboratory practices for the anti-PD-1 antagonist antibody mentioned above, which resulted in us receiving a $1.0 million milestone in July 2015. We expect to receive an additional aggregate of $14.0 million in preclinical and IND-related payments by the end of 2016 based upon further development of the anti-PD-1 antagonist and two of the other targets mentioned above.

Antibody Generation Agreement with Celgene Corporation

In December 2011, we entered into a license and collaboration agreement with Celgene to develop therapeutic antibodies against multiple targets. We granted Celgene the option to obtain worldwide commercial rights to antibodies generated against each of the targets under the agreement, which option was triggered on a target-by-target basis by our delivery of antibodies meeting certain pre-specified parameters pertaining to each target under the agreement.

The agreement provided for an upfront payment of $6.0 million from Celgene, which we received in 2011, milestone payments of up to $53.0 million per target, low single-digit royalties on net sales of antibodies against each target, and reimbursement of specified research and development costs. From inception of the agreement through June 30, 2015, we have recognized $8.5 million in total revenue from Celgene. For one of the two programs being advanced by Celgene, we expect to receive up to an aggregate of $1.5 million in preclinical and IND-related milestone payments by the end of 2016.

Other Collaborative Agreements

We are party to other collaboration agreements for which in 2013 and 2014 we recognized $1.7 million and $3.7 million, respectively, in collaboration revenue. We have completed our obligations under these agreements and do not anticipate any additional revenue from them.

Research and Development

Research and development expenses consist of costs associated with our research and development activities, including drug discovery efforts and preclinical development of our programs. Our research and development expenses include:

- External research and development expenses incurred under arrangements with third-parties, such as CROs, consultants, members of our scientific and therapeutic advisory boards, and clinical manufacturers;
- Employee-related expenses, including salaries, benefits, travel and stock-based compensation;
- Facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities, depreciation of leasehold improvements and equipment, and laboratory supplies; and
- License and sublicense fees.

We expense research and development costs as incurred. We account for advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received.

We are conducting research and development activities on several inflammation and immuno-oncology programs. We have a research and development team that conducts antibody discovery, characterization, translational studies, IND-enabling preclinical studies and clinical development. We conduct some of our early research and preclinical activities internally and plan to rely on third parties, such as CROs and CMOs, for the execution of certain of our research and development activities, such as *in vivo* toxicology and pharmacology studies, drug product manufacturing and clinical trials.

We are planning to conduct initial clinical trials in Australia to rapidly enter into first-in-human studies for ANB020 and ANB019 and benefit from research and development-related financial incentives related to the development of ANB020 and ANB019. Taking into account any financial incentives, we expect our research and development expenses to be higher in 2015 and 2016 as we advance our product candidates into clinical development.

General and Administrative

General and administrative expenses consist primarily of salaries and related benefits, including stock-based compensation, for our executive, finance, legal, business development, human resource and support functions. Other general and administrative expenses include allocated facility-related costs not otherwise included in research and development expenses, travel expenses and professional fees for auditing, tax and legal services, including intellectual property-related legal services.

Interest Expense

Interest expense consists of stated interest and amortization of discounts on our outstanding notes payable relating to our Loan and Security Agreement with Oxford Finance LLC and Silicon Valley Bank, which we refer to as the Loan Agreement.

Change in Fair Value of Liability for Preferred Stock Warrants

Income and expense from the change in fair value of our liability for preferred stock warrants is from the valuation of our outstanding warrants to purchase shares of our preferred stock, which is valued at each period end. Upon the closing of our initial public offering, the warrants to purchase shares of preferred stock will

convert into warrants to purchase shares of common stock, the preferred stock warrant liabilities will be reclassified to additional paid-in capital and periodic fair value adjustments will no longer be recorded.

Net Operating Loss and Research and Development Tax Credit Carryforwards

From our inception to December 31, 2013, we accumulated net operating losses, or NOLs. For the year ended December 31, 2014, we generated net income of $3.5 million primarily as a result of our collaboration agreement with TESARO. While we utilized NOLs in 2014, we continue to have a valuation allowance against our net deferred tax assets due to the uncertainty surrounding the realization of such assets.

At December 31, 2014, we had federal and state NOL carryforwards of $41.4 million each. The federal and state NOLs will begin to expire in 2027 and 2017, respectively, unless previously utilized. At December 31, 2014 we had federal and California research tax credit carryforwards of $1.6 million and $1.4 million, respectively. The federal research tax credit carryforward will begin to expire in 2026 and the California state credits carry forward indefinitely.

The NOL carryforward and the research tax credit carryforwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986, and similar state provisions if we experience one or more ownership changes which would limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change as defined by Section 382 and 383, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. We have not completed an IRC Section 382/383 analysis. If a change in ownership were to have occurred or occurs as a result of this offering, NOL and tax credits carryforwards could be eliminated or restricted. If eliminated, the related asset would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance. Due to the existence of the valuation allowance, limitations created by future ownership changes, if any, will not impact our effective tax rate.

Critical Accounting Policies and Use of Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, we evaluate our judgments and estimates in light of changes in circumstances, facts and experience. The effects of material revisions in estimates, if any, will be reflected in the financial statements prospectively from the date of change in estimates.

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

Revenue Recognition

Revenue is recognized in accordance with revenue recognition accounting guidance, which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence that an arrangement exists; (ii) delivery has occurred and title and the risks and rewards of ownership have been transferred to the client or services have been rendered; (iii) the price is fixed or determinable; and (iv) collectability is reasonably assured.

Multiple-Element Revenue Arrangements. We evaluate deliverables in a multiple-element arrangement to determine whether each deliverable represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. If the delivered element does not have standalone value without one of the undelivered elements in the arrangement, we combine such elements and account for them as a single unit of accounting. We allocate the consideration to each unit of accounting at the inception of the arrangement based on the relative selling price.

We recognize consideration allocated to an individual element when all other revenue recognition criteria are met for that element. Our multiple-element revenue arrangements may include the following:

- License Arrangements. The deliverables under our collaboration and license agreements generally include exclusive or nonexclusive licenses to one or more products generated using our technologies. As the delivered licenses have not historically had standalone value apart from the undelivered elements, these have been recognized as revenue as a combined unit of accounting. Accordingly, we recognize revenue from nonrefundable upfront fees in the same manner as the undelivered item or items, which is generally the period over which we provide research and developments services.
- Research and Development Services. The deliverables under our collaboration and license arrangements may include research and development services we perform on behalf of or with our collaborators. As the provision of research and development services is an integral part of our operations and we may be principally responsible for the performance of these services under the agreements, we recognize revenue on a gross basis for research and development services as we perform those services. Additionally, we recognize research related funding under collaboration research and development efforts as revenue as we perform or deliver the related services in accordance with contract terms.

Milestone Revenue. Our collaboration and license agreements generally include contingent contractual payments related to achievement of specific research, development and regulatory milestones and sales-based milestones that are dependent upon the performance of the licensor or collaborator. A milestone is defined as an event (i) that can only be achieved based in whole or in part on either the entity's performance or on the occurrence of a specific outcome resulting from the entity's performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved and (iii) that would result in additional payments being due to us. Contingent consideration for which payment is either contingent solely upon the passage of time or the result of a counterparty's performance is not considered substantive.

We recognize consideration that is contingent upon the achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone is substantive in its entirety. A milestone is considered substantive when it meets all of the following criteria:

- The consideration is commensurate with either the entity's performance to achieve the milestone or the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone;
- The consideration relates solely to past performance; and
- The consideration is reasonable relative to all of the deliverables and payment terms within the arrangement.

Milestones that are not considered substantive are generally recognized in the same manner as the undelivered item(s), which is generally the period over which we provide research and developments services.

Research and Development Expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses as of each balance sheet date. This process involves reviewing open contracts and purchase orders,

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 service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date 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 our vendors in connection with research and development activities for which we have not yet been invoiced.

We base our expenses related to research and development activities on our estimates of the services received and efforts expended pursuant to quotes and contracts with vendors that conduct research and development on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors 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 prepaid accordingly. 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, if our estimates of the status and timing of services performed differ from the actual status and timing of services performed, it could 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.

Stock-Based Compensation

We expense the fair value of stock awards to employees, net of estimated forfeitures, adjusted to reflect actual forfeitures, over the requisite service period, which is typically the vesting period. We estimate the fair value of options granted to employees at the date of grant using the Black-Scholes option-pricing model that requires management to apply judgment and make estimates, including:

- *fair value of the underlying common shares*, as approved by our board of directors, which was determined using the option-pricing method, or OPM, in periods through December 31, 2014, and the probability-weighted expected return method, or PWERM, beginning March 31, 2015;
- *risk-free interest rate*, which is based on observed interest rates appropriate for the expected term of the stock option grants, historically U.S. Treasury constant maturities;
- *expected volatility*, which is calculated based on reported volatility data for a representative peer group of publicly traded biotechnology companies for which historical information is available. Because we are privately held as of the date of these financial statements, we do not have relevant historical data to support our expected volatility;
- *expected dividend yield*, which is zero as we have never paid cash dividends and do not expect to pay any cash dividends in the foreseeable future; and
- *expected term*, which we calculate using the simplified method, which defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches, as we have insufficient historical information regarding our stock options to provide a basis for an estimate.

We have computed the fair value of stock options at the date of grant using the following assumptions:

	Year Ended December 31,	
	2013	2014
Risk-free interest rate	1.5%-1.6%	2.0%
Expected volatility	71.0%-72.5%	66.8%
Expected dividend yield	0%	0%
Expected term (in years)	6.1-9.9	6.1

Stock-based compensation expense related to unvested stock option grants not yet recognized as of June 30, 2015 was $0.5 million and the weighted average period over which these grants are expected to vest is 3.3 years. We expect to continue to grant stock options in the future, and to the extent we do, our actual stock-based compensation expense recognized in future periods will likely increase.

Common Stock Valuations

We are a private company with no active public market for our common stock. Therefore, we have periodically determined the estimated per share fair value of our common stock at various dates using contemporaneous valuations performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, or Practice Aid. Once a public trading market for our common stock has been established in connection with the closing of this offering, it will no longer be necessary for us to estimate the fair value of our common stock in connection with our accounting for stock options and restricted stock, as the fair value of our common stock will be its trading price on the NASDAQ Global Market.

Common Stock Valuation Methodologies. Our contemporaneous and retrospective valuations were prepared in accordance with the guidelines in the Practice Aid, which prescribes several valuation approaches for determining the value of an enterprise, such as the cost, market and income approaches, and various methodologies for allocating the value of an enterprise to its capital structure and specifically the common stock.

We used the market approach as this approach is based on the assumption that the value of an asset, including a company, is equal to the value of a substitute asset with the same characteristics. Therefore, the value of an asset can be inferred by finding similar assets, or an interest in similar assets, that have been sold in recent arm's-length transactions. The following market approaches were considered in our valuations:

- **Guideline Public Company Method.** The guideline public company method, or GPC method, compares the subject company with guideline publicly traded companies. Valuation multiples are calculated from selected guideline companies to provide an indication of how much a current investor in the marketplace would be willing to pay for a company with characteristics similar (such as similar business, size, geographic region, and other operating characteristics) to the subject company. These valuation multiples are evaluated and adjusted based on the strengths and weaknesses of the subject company relative to the selected guideline companies. Finally, the multiples are applied to the subject company's operating data to arrive at an indication of fair market value.
- **Similar Transaction Method.** The similar transaction method, or ST method, relies on data of actual transactions, such as mergers and acquisitions or completed initial public offerings, that have occurred in the subject company's industry or in related industries. As in the GPC method, valuation multiples are developed and applied to the subject company's operating data to estimate fair value. Again, the ST method can be used if there are recent transactions involving companies similar to the subject company.

Methods Used to Allocate Our Enterprise Value to Classes of Securities. In accordance with the Practice Aid, we considered the various methods for allocating the enterprise value across our classes and series of capital stock to determine the fair value of our common stock at each valuation date. The methods we utilized consisted of the following:

- **Option Pricing Method.** Under OPM, shares are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class. The values of the preferred and common stock are inferred by analyzing these options.
- **Probability-Weighted Expected Return Method**. PWERM is a scenario based analysis that estimates the value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each share class.

Our per share common stock value was estimated by allocating the equity value using the OPM at each valuation date up through December 31, 2014. Starting from our March 31, 2015 contemporaneous valuation, we used PWERM to allocate the equity value to each element of our capital structure, including our common stock. For both approaches, we applied a discount to the valuations due to the lack of marketability of the ordinary shares. We calculated the discount for lack of marketability using a strike put option model and applied it as appropriate to each allocation.

Preferred Stock Warrant Liabilities

We account for warrants for shares of preferred stock with conversion features that provide for adjustments in the warrant price as derivative liabilities in the accompanying consolidated balance sheets at their fair value on the date of issuance. The derivative liabilities are revalued at each balance sheet date until such instruments, so long as they remain exercisable for shares of preferred stock, are exercised or expire, with changes in the fair value between reporting periods recorded as other income or expense.

We use the Black-Scholes option pricing model to estimate the fair value of the preferred stock warrant liabilities. Inputs we used in the Black-Scholes option pricing model to determine estimated fair value include the estimated fair value of the underlying convertible preferred stock at the valuation measurement date, the remaining contractual term of the warrants, risk-free interest rates, expected dividends and the expected volatility of the price of the underlying convertible preferred stock.

Accounting Pronouncements Recently Adopted

In June 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-10, *Development Stage Entities (Topic 915)*, which eliminated the distinction of a Development Stage Entity along with the inception to date reporting requirements. As permitted by this ASU, we elected to early adopt the amendment beginning with our annual reporting period ended December 31, 2014, with retrospective application of the amended guidance. Upon adoption, there was no effect to our consolidated financial statements, other than the elimination of inception to date disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This update requires the presentation of debt issuance costs in financial statements as a direct reduction of related debt liabilities rather than as an asset. Amortization of debt issuance costs continue to be reported as interest expense. As permitted by the ASU, we elected to early adopt the amendment beginning with its annual reporting period ended December 31, 2014, with retrospective application of the amended guidance. The adoption of this ASU resulted in the reclassification $37,000 and $85,000 in deferred debt issuance costs from prepaid expenses and other current assets to a direct reduction to the carrying values of notes payable and convertible promissory notes reported in the balance sheets at December 31, 2013 and 2014, respectively. The adoption of this guidance did not have any effect on our statement of operations during the years ended December 31, 2013 or 2014.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance in FASB ASC 605, Revenue Recognition, including industry-specific guidance. This standard is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also requires additional disclosure about the nature, amount, timing and uncertainty of assets recognized from costs incurred to fulfill a contract. ASU 2014-09 becomes effective for our annual reporting period beginning January 1, 2018, including interim periods within that reporting period, with adoption permitted as early as January 1, 2017. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. We are currently assessing the impact that this standard will have on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern*, which provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and the related footnote disclosure. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financials are issued. When management identifies conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, this standard also outlines disclosures that are required in our footnotes based on whether or not there are any plans intended to mitigate the relevant conditions or events to alleviate the substantial doubt. This standard becomes effective for our annual reporting period ending December 31, 2016, and for annual and interim periods thereafter. Early application is permitted. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

The JOBS Act

In April 2012, the JOBS Act was enacted. Section 107 of 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. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We intend to take advantage of the reduced reporting requirements and to rely on certain other exemptions provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," the exemptions that we may rely on include, without limitation:

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

We may use these provisions until the last day of our fiscal year following the fifth anniversary of the closing of this offering. However, if certain events occur prior to the end of such five-year period, including if we

become a "large accelerated filer," our annual gross revenues exceed $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

Results of Operations

Comparison of the Six Months Ended June 30, 2014 and 2015

Collaboration Revenue

Collaboration revenue was $6.0 million and $9.0 million during the six months ended June 30, 2014 and 2015, respectively, an increase of $3.0 million. A comparison of revenue by collaborator is as follows:

(in thousands)	Six Months Ended June 30, 2014	2015	Increase (Decrease)
	(unaudited)		
TESARO-amortization of upfront payments	$2,605	$5,000	$ 2,395
TESARO-funding of research and development	1,450	3,354	1,904
TESARO-milestone	—	625	625
Celgene Corporation	592	—	(592)
Other	1,332	—	(1,332)
Total	$ 5,979	$8,979	$ 3,000

During the first and fourth quarter of 2014 we received $17.0 million and $2.0 million, respectively, in upfront fees under our collaboration and exclusive license agreement with TESARO. For the six months ended June 30, 2014 and 2015, we recognized the amortized portion of these upfront fees in the amounts of $2.6 million and $5.0 million, respectively. The upfront fees will continue to be recognized ratably through March 2016. We also recognized revenue of $1.5 million and $3.4 million during the six months ended June 30, 2014 and 2015, respectively, for research and development services performed under the agreement. We recognized revenue of $0.6 million during the six months ended June 30, 2015, for the achievement of a $1.0 million milestone upon initiation of *in vivo* toxicology studies, under the principles of good laboratory practice, using our anti-PD-1 antagonist antibody (TSR-042) by TESARO. The remaining $0.4 million of the milestone will be recognized ratably through March 2016.

The final deliverable under our 2011 antibody generation agreement with Celgene was completed in 2014. During the six months ended June 30, 2014, we recognized revenue of $0.6 million, which relates to $0.5 million for a success fee and $92,000 for research and development services performed under this agreement.

We are a party to other collaboration agreements for which in the six months ended June 30, 2014 we recognized $1.3 million in collaboration revenue. We completed our obligations under these agreements in 2014 and do not anticipate any additional revenue from them beyond 2014.

We expect that any collaboration revenue we generate will continue to fluctuate from period to period as a result of the timing and amount of milestones and other payments from our existing collaborations.

Research and Development

Research and development expenses were $3.9 million during the six months ended June 30, 2014 and $6.4 million for the six months ended June 30, 2015. The increase of $2.5 million is primarily related to a $1.5 million increase in external services and preclinical manufacturing consultation cost relating to our ANB020 and ANB019 programs, a $0.6 million increase in payroll and related expenses, including stock-based compensation, and a $0.3 million increase in laboratory supplies.

We expect our research and development expenses to increase as we advance our development programs further and, in particular, as we enter into clinical trials.

General and Administrative

General and administrative expenses were $1.2 million during the six months ended June 30, 2014 and $1.6 million for the six months ended June 30, 2015. The $0.4 million increase is due primarily to a $0.2 million increase in audit and tax fees and a $0.1 million increase in recruiting expenses incurred for key senior positions.

We expect that our general and administrative expenses will increase for the foreseeable future as we incur additional costs associated with being a publicly traded company, including legal, auditing and filing fees, additional insurance premiums, investor relations expenses and general compliance and consulting expenses. Also, we expect our intellectual property related legal expenses, including those related to preparing, filing, prosecuting and maintaining patent applications, to increase as our intellectual property portfolio expands.

Interest Expense

Interest expense during the six months ended June 30, 2014 was $1.3 million and represents stated interest of 10.0% on our convertible promissory notes principal of $2.0 million and amortization of the related beneficial conversion feature. All outstanding principal and accrued interest on the convertible promissory notes were converted in April 2014 into shares of Series C-1 preferred stock. Interest expense during the six months ended June 30, 2015 was $0.2 million and represents effective interest of 9.25% on our outstanding Term A Loans, which have an outstanding principal of $5.0 million as of June 30, 2015.

Change in Fair Value of Liabilities for Preferred Stock Warrants

The expense from the change in fair value of the liabilities for stock warrants increased by $1.1 million during the six months ended June 30, 2015 when compared to the three months ended June 30, 2014, and primarily reflects an increase in the valuation of our Series C convertible preferred stock at June 30, 2015 which had the effect of increasing the estimated fair value of the warrants.

Comparison of the Years Ended December 31, 2013 and 2014

Collaboration Revenue

Collaboration revenue was $5.5 million and $15.8 million during 2013 and 2014, respectively, an increase of $10.4 million. Our license and collaboration agreement with TESARO accounted for the majority of the increase in collaboration revenue during 2014. A comparison of revenue by collaborator is as follows:

(in thousands)	Year Ended December 31, 2013	2014	Increase (Decrease)
TESARO-amortization of upfront payments	$ —	$ 6,980	$ 6,980
TESARO-funding of research and development	—	4,568	4,568
Celgene Corporation	3,746	592	(3,154)
Other	1,737	3,698	1,961
Total	$5,483	$15,838	$ 10,355

During 2014, we received an aggregate of $19.0 million in upfront fees under our collaboration and exclusive license agreement with TESARO, which were deferred and are recognized ratably through March 2016. We also recognized revenue of $4.6 million during 2014 for research and development services performed under the agreement.

Pursuant to our 2011 antibody generation agreement with Celgene, we recognized revenue of $2.0 million during 2013 from the amortization of the upfront payment received in 2011. We also received $1.0 million and $0.5 million in success fees during 2013 and 2014, respectively, and recognized revenue of $0.7 million and $0.1 million for research and development services performed under this agreement during the years ended December 31, 2013 and 2014, respectively. The final deliverable under this agreement was completed in 2014.

During 2013 and 2014, we recognized revenues aggregating $1.7 million and $3.7 million, respectively from other collaborative agreements for which our obligations were completed in 2014.

Research and Development

Research and development expenses were $8.8 million and $8.6 million during 2013 and 2014, respectively, a decrease of $0.2 million. The decrease is due primarily to $0.4 million in lower salaries and related expenses resulting from reduced research and development positions, due to the completion of multiple collaborations during 2013 and early 2014, $0.3 million in lower depreciation expense, and $0.1 million in lower in-licensing fees due to the expiration of one of our contracts. These decreases were partially offset by $0.6 million in higher reimbursable external expense costs incurred under our collaboration with TESARO.

General and Administrative

General and administrative expenses were $2.0 million and $2.4 million during 2013 and 2014, respectively, an increase of $0.4 million. The increase is due primarily to $0.2 million in recruiting expenses for key senior hires during 2014, $0.1 million in higher salaries and related expenses for new senior level positions, and $0.1 million in higher legal expenses.

Interest Expense

Interest expense was $0.9 million during 2013 compared to $1.3 million during 2014, an increase of $0.4 million and represents stated interest of 10.0% on our convertible promissory notes principal of $2.0 million and amortization of the related beneficial conversion feature. The increase is due primarily to the $0.4 million write-off of the remaining discount on our convertible promissory notes upon conversion of the notes to into shares of Series C-1 Preferred stock during 2014.

Change in Fair Value of Liabilities for Stock Warrants

The change in fair value of the liabilities for stock warrants resulted in an expense of $59,000 in 2014 and income of $0.6 million in 2013. The change to an expense in 2014 resulted primarily from an increase in the valuation of our Series C convertible preferred stock which has the effect of increasing the estimated fair value of the warrants.

Liquidity and Capital Resources

From our inception through June 30, 2015, we have received an aggregate of $99.5 million to fund our operations including $44.1 million from the sale of equity securities, $46.0 million from our collaboration agreements and $9.4 million from venture debt. As of June 30, 2015, we had $16.9 million in cash and cash equivalents. In July, 2015, we issued an aggregate of 38,436,851 shares of Series D Preferred Stock at a purchase price of $1.06 per share, for aggregate net proceeds of $40.6 million.

In addition to our existing cash and cash equivalents, we are eligible to receive research and development funding and to earn milestone and other contingent payments for the achievement of defined collaboration objectives and certain nonclinical, clinical, regulatory and sales-based events, and royalty payments under our collaboration agreements. Our ability to earn these milestone and contingent payments and the timing of achieving these milestones is primarily dependent upon the outcome of our collaborators' research and development activities and is uncertain at this time. Our Loan Agreement and our rights to payments under our collaboration agreements are our only committed external source of funds.

Under the Loan Agreement, we may borrow up to $15.0 million in three separate draws of $5.0 million each, of which $5.0 million of the Term A Loans were outstanding at June 30, 2015. The Term B Loans for an aggregate of $5.0 million are available for draw through December 31, 2015, contingent upon our first multi-dose PK/toxicology studies on at least two development programs and the Term C Loans for an aggregate of $5.0 million are available for draw through December 31, 2016, contingent upon receiving FDA approval on IND submission on at least two development programs. Final maturity of the loans pursuant to the Loan Agreement is in January 2019.

Funding Requirements

Our primary uses of capital are, and we expect will continue to be, third-party clinical and preclinical research and development services, including manufacturing, laboratory and related supplies, compensation and related expenses, legal, patent and other regulatory expenses and general overhead costs. We believe our use of CROs and CMOs provides us with flexibility in managing our spending and limits our cost commitments at any point in time.

Based on our research and development plans and our timing expectations related to the progress of our programs, we expect that the net proceeds from this offering, together with our existing cash and cash equivalents, and research funding that we expect to receive under our existing collaborations, will enable us to fund our operating expenses and capital expenditure requirements through at least the next 24 months. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we expect. Additionally, the process of testing drug candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

Operating Activities

Net cash provided by operating activities during the six months ended June 30, 2014 of $13.4 million was primarily due to cash received pursuant to our collaboration agreement with TESARO that resulted in an increase in deferred revenue of $13.5 million. Net cash used in operating activities during the six months ended June 30, 2015 of $5.2 million, was primarily due to the use of cash for research and development activities and consisted of $0.4 million of net loss in addition to a reduction of deferred revenue of $4.6 million related to the amortization of our upfront payment received from TESARO.

Net cash used in operating activities during the year ended December 31, 2013 of $5.8 million was primarily due to our net loss for the period. Net cash provided by operating activities of $14.6 million during the year ended December 31, 2014 was primarily due to cash received pursuant to our collaboration agreement with TESARO and consisted of net income of $3.5 million in addition to an increase of $10.7 million in deferred revenues and non-cash interest expense of $1.3 million, partially offset by an increase in receivables from our collaborative partner of $1.5 million.

Investing Activities

Cash used in investing activities during the six months ended June 30, 2014 and 2015 and years ended December 31, 2013 and 2014, were due to our purchases of property and equipment. As of this time, we plan to focus on our growth strategies and do not plan on using a significant amount of our cash resources in investing activities.

Financing Activities

Cash provided by financing activities during the six months ended June 30, 2014 and 2015 was zero and $29,000, respectively. The cash proceeds during 2015 are from the exercise of stock options, offset by payments related to deferred offering costs.

Cash provided by financing activities was $2.0 million during the year ended December 31, 2013 and represents the net cash proceeds from the issuance of our convertible promissory notes in August 2013. Cash provided by financing activities during the year ended December 31, 2014 was $4.9 million and represents the net cash proceeds from the issuance of our Term A Loans in December 2014.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2014:

		Payments Due by Period			
(in thousands)	Total(1)	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Notes payable, including interest and final payment fee	$6,161	$ 326	$3,578	$2,257	$ —
Operating lease obligation	842	496	346	—	—
Total	$7,003	$ 822	$3,924	$2,257	$ —

(1) Future minimum guaranteed payment obligations for annual royalty payments under all collaborative in-license agreements at December 31, 2014 aggregated $0.2 million. These obligations are excluded from the table above as the annual minimum payments are payable through ten years from the first commercial sale, if any, or expiration of the last patent to expire, the dates of which are not determinable at this time.

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

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. Due to the short-term duration of our investment portfolio and the low-risk profile of our investments, we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on our investment portfolio.

We do not believe that our cash and cash equivalents have significant risk of default or illiquidity. While we believe our cash and cash equivalents do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value. In addition, we maintain significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits.

Our debt obligations bear interest at fixed rates and, therefore, have no exposure to changes in interest rates.

Foreign Currency Exchange Risk

In March 2015, we formed a wholly-owned subsidiary in Australia, which exposes us to foreign currency exchange risk. The functional currency of our subsidiary in Australia is the United States dollar. Assets and liabilities of our foreign subsidiary that are not denominated in the functional currency are remeasured into U.S.

dollars at foreign currency exchange rates in effect at the balance sheet date except for nonmonetary assets and capital accounts, which are remeasured at historical foreign currency exchange rates in effect at the date of transaction. Expenses are generally remeasured at monthly foreign currency exchange rates which approximate average rates in effect during each period. Net realized and unrealized gains and losses from foreign currency transactions and remeasurement are reported in other income (expense), net, in the consolidated statements of operations. We do not expect the effects of changes in exchange rates to have a material impact on our financial statements.

We have not hedged exposures denominated in foreign currencies, but may do so in the future.

BUSINESS

Overview

We are a biotechnology company developing first-in-class antibody product candidates focused on unmet medical needs in inflammation and immuno-oncology. We develop our product candidates using our proprietary antibody discovery technology platform, which is designed to replicate, *in vitro*, the natural process of antibody generation. Our platform is based upon a breakthrough understanding of somatic hypermutation, the key biological process utilized to generate antibodies, which enables us to rapidly develop highly functional antibody drug candidates against emerging biological targets. Our most advanced, wholly-owned programs, ANB020 and ANB019, are being developed to treat severe inflammatory disorders with unmet medical need. In 2016, we plan to initiate clinical trials of ANB020, an antibody that inhibits the activity of interleukin-33 for the treatment of severe adult asthma and severe adult peanut allergy, and ANB019, an antibody that inhibits the interleukin-36 receptor for the treatment of rare inflammatory diseases called generalized pustular psoriasis and palmo-plantar pustular psoriasis. Our company is led by a strong management team with a proven track record of successfully growing biotechnology companies with deep experience in antibody discovery and development, collaborations, operations and corporate finance. Our investors include Biotechnology Value Fund, Cormorant Asset Management, Frazier Healthcare, HBM Partners, Longwood Capital Partners and Novo A/S.

Additionally, we have entered into multiple collaborations from which we expect four programs will enter the clinic in the next 18 months. Our collaborations include an immuno-oncology-focused collaboration with TESARO and an inflammation-focused collaboration with Celgene. Through July 31, 2015, we have received significant, non-dilutive funding of $48.7 million from our collaborators.

Our Product Candidates

We have developed, and will continue to develop, antibody product candidates that leverage emerging insights into biological mechanisms to treat severe diseases with unmet medical need. The following table summarizes certain key information about our wholly-owned and partnered product candidates:

	Therapeutic Area	Antibody Target(s)	Current Status	Clinical Indications	Commercial Rights
Wholly-Owned Programs	Inflammation	IL-33 antagonist (ANB020)	Preclinical development	Asthma and allergy	AnaptysBio
		IL-36R antagonist (ANB019)	Preclinical development	GPP and PPP	
		Checkpoint agonist	Lead selection	Inflammation	
	Immuno-Oncology	Checkpoint antagonist	Lead selection	Oncology	AnaptysBio
		Checkpoint antagonist	Lead selection		
Partnered Programs	Inflammation	Undisclosed	Preclinical development	Inflammation	Celgene
		Undisclosed	Preclinical development		
	Immuno-Oncology	PD-1 antagonist (TSR-042)	Preclinical development	Oncology	TESARO
		TIM-3 antagonist	Preclinical development		
		LAG-3 antagonist	Preclinical development		
		PD-1/TIM-3 bispecific antagonist	Lead selection		
		PD-1/LAG-3 bispecific antagonist	Lead selection		
		Bispecific antagonist of two undisclosed checkpoints	Lead selection		

Our most advanced, wholly-owned product candidates are summarized below:

- **ANB020** is an antibody that inhibits the activity of interleukin-33, or IL-33, a pro-inflammatory cytokine that multiple studies have indicated is a central mediator of atopic diseases, including asthma, food allergies and atopic dermatitis. IL-33 acts on several cell types, including white blood cells that initiate and orchestrate atopic responses. IL-33 also directly mediates release of disease-associated cytokines, which recruit pro-inflammatory cells that mediate atopic disease. Because ANB020 inhibits IL-33 function, and acts upstream broadly across the key cell types and cytokines involved in atopy, we believe that its mechanism has advantages in the treatment of atopic diseases over competing agents that block only a subset of the cytokines responsible for atopic diseases. We believe ANB020 is potentially the first-in-class therapy targeting IL-33. We anticipate filing an Australian Clinical Trial Notification, or CTN, for ANB020 during the fourth quarter of 2015, the approval of which would allow us to commence clinical trials in Australia. We plan to commence a Phase 1 healthy volunteer trial in Australia in early 2016, followed by patient trials in severe adult asthma and severe adult peanut allergy in other countries, including the United States after submitting an IND to the FDA. We estimate, based on our analysis of publicly available data sources and interviews with physicians and key opinion leaders in the field, that asthma affects approximately 7.7% of the adult U.S. population, or approximately 19.0 million individuals, of which 19%, or approximately 3.6 million have severe, persistent occurrence of this respiratory disease. Peanut allergy is the most common cause of food-induced allergy in the United States. Based on our analysis, we estimate approximately 1.7 million adults are affected by peanut allergy, of which approximately 600,000 are regularly treated by allergists and approximately 400,000 are at risk for severe reactions and therefore we believe are suitable for treatment with systemic biological therapies.
- **ANB019** is an antibody that inhibits the function of the interleukin-36-receptor, or IL-36R, which we are initially developing as a potential first-in-class therapy for GPP patients. GPP is a life-threatening, rare, systemic inflammatory disorder that, based on our analysis of publicly available data sources and interviews with physicians and key opinion leaders in the field, we estimate affects approximately 3,000 patients in the United States with no approved therapies. Studies have shown that GPP is associated with mutations, that lead to abnormally high signaling through the IL-36R, which we believe can be addressed by treatment with ANB019. We believe ANB019 is the most advanced therapeutic antibody targeting the IL-36R in development. We anticipate filing an Australian CTN for ANB019 during the second half of 2016, the approval of which would allow us to initiate Phase 1 trials in Australia during the second half of 2016. We plan to subsequently develop ANB019 in the United States after submitting an IND to the FDA and to seek FDA Orphan Drug Designation for the treatment of GPP and PPP. The FDA may grant Orphan Drug Designation to a drug intended to treat a disease or condition that generally affects fewer than 200,000 individuals in the United States.

Our SHM-XEL Platform

Our approach to developing novel therapeutic antibody product candidates relies upon somatic hypermutation, or SHM, a critical, endogenous process that generates the essential antibody diversity required to develop a natural immune response to pathogens. Our proprietary antibody generation platform, called SHM-XEL, is designed to replicate the natural process of SHM *in vitro.* Competing antibody discovery technologies include mouse immunization methodologies, microbial antibody display and human B-cell screening. We believe SHM-XEL overcomes several key limitations associated with these competing technologies and has the following competitive advantages:

- **Diversity against difficult targets.** By applying SHM without the constraints of an *in vivo* environment we are able to generate an unprecedented diversity of antibodies. This enables us to develop antibodies against human targets that we believe have not otherwise been accessible to other technologies.
- **High potency.** Because our platform generates highly-potent antibodies, we are potentially able to modulate every extracellular target associated with human disease, and believe only small therapeutic doses may be required to mediate therapeutic effect *in vivo*.

- **Functional activity selection.** Our mammalian cell system simultaneously displays and secretes antibodies during the antibody discovery process, allowing us to incorporate functional assays throughout the process and focus on producing product candidates that are optimized for the desired therapeutic activity.
- **Speed.** Our platform technology enables us to generate therapeutic-grade antibodies and initiate subsequent preclinical manufacturing and toxicology studies, typically in less than 12 months. We believe this timeline is significantly shorter than conventional approaches based upon mouse immunization and microbial display systems.
- **Manufacturability.** By utilizing our mammalian cell display system, we believe our approach increases the probability of success in manufacturing and commercialization by mitigating risks associated with antibody expression, formulation and stability during the antibody generation process.
- **Bispecific antibodies.** A bispecific antibody is a single therapeutic molecule designed to bind two different targets. Bispecific antibodies have the advantage of combining two therapeutic mechanisms with the goal of increasing therapeutic efficacy, in comparison to monospecific antibodies that bind either of the targets individually. We believe our competitors' bispecific strategies generally rely on proteins with non-natural formats, resulting in unpredictable pharmacokinetics and manufacturing properties. Our strategy is to develop bispecific antibodies that are composed of two different heavy chains with a common shared light chain that resemble the natural antibody structure and exhibit the desired functional activity to each target. Utilizing our proprietary SHM-XEL platform, we are able to generate a large diversity of heavy and light chain varieties against each therapeutic target, and then co-mature a common light chain in the context of two different heavy chains, which permits us to identify bispecific antibodies with sufficient potency against each of the two targets that we believe will provide greater therapeutic benefit.

Our Strategy

We are a leading antibody development company with a pipeline of novel therapeutic antibodies, which is being further expanded by applying our technology platform to emerging biological targets.

- **Advancing our lead product candidates into the clinic.** We plan to initiate a Phase 1 healthy volunteer trial for ANB020 in early 2016, followed by trials in severe adult asthma and severe adult peanut allergy patients. We plan to initiate a Phase 1 healthy volunteer trial for ANB019 during the second half of 2016, followed by a registration study in GPP patients. For both ANB020 and ANB019, we plan to conduct our initial clinical trials in Australia, and to then conduct further clinical development in the United States and other countries. We have elected to pursue this strategy in order to benefit from Australia's rapid regulatory review processes for first-in-human studies and from certain financial incentives that Australia makes available for biotechnology research and development, and because we believe that clinical data generated in Australia will subsequently be accepted by the FDA and its foreign equivalents outside of Australia.
- **Identifying emerging opportunities in key therapeutic areas.** We intend to remain at the forefront of discovery and development of new therapeutic opportunities in inflammation and immuno-oncology by understanding and translating biological breakthroughs into first-in-class therapeutic antibodies. Our approach includes assessment of human genetics and tissue pathology to understand the relevance of emerging targets to patients with unmet medical needs. We plan to leverage this knowledge to create new product candidates and position our current and future programs for rapid clinical proof-of-concept achievement.
- **Continuing to expand our proprietary pipeline by generating new product candidates using our technology platform.** Using our proprietary antibody generation platform, we are able to rapidly develop novel therapeutic antibodies against emerging targets. Our goal is to advance one or more wholly-owned new therapeutic antibody program to an IND submission to the FDA, or foreign equivalent, each year.

- **Retaining rights to strategic products in key commercial markets.** We intend to retain ownership and control of our pipeline programs to key inflection points. We may build sales and marketing capabilities in selected specialty markets that we believe can be served with a focused commercial organization. For certain programs, we plan to seek strategic collaborations that provide us with funding, infrastructure and marketing resources to advance through development and commercialization.

Our Collaborations

We have established collaborations with pharmaceutical and biotechnology companies that have provided us with $48.7 million in payments through July 31, 2015. In addition to our wholly-owned antibody programs, we are developing antibody product candidates for immuno-oncology and inflammation targets through strategic collaborations. Our collaborations with TESARO and Celgene are described below:

TESARO Programs

Under our March 2014 immuno-oncology collaboration with TESARO, we have granted exclusive rights to TESARO to develop and commercialize antibodies generated using our SHM-XEL platform consisting of the following antibody product candidates:

- *Anti-PD-1 Monospecific Antagonist Antibody (TSR-042)*: currently in preclinical development with an IND submission anticipated in the fourth quarter of 2015 and first-in-human dosing in early 2016;
- *Anti-TIM-3 Monospecific Antagonist Antibody*: currently in preclinical development;
- *Anti-LAG-3 Monospecific Antagonist Antibody*: currently in preclinical development;
- *Anti-PD-1/TIM-3 Bispecific Antagonist Antibody*: currently in lead selection process;
- *Anti-PD-1/LAG-3 Bispecific Antagonist Antibody*: currently in lead selection process; and
- *Undisclosed Bispecific Antagonist Antibody*: currently in lead selection process.

Celgene Programs

Under our December 2011 collaboration with Celgene, we developed therapeutic antibodies against multiple targets. We granted Celgene the option to obtain worldwide commercial rights to antibodies generated against each of the targets under the agreement, which option was triggered on a target-by-target basis by our delivery of antibodies meeting certain pre-specified parameters pertaining to each target under collaboration. We successfully delivered antibodies against three targets. Celgene is currently advancing two anti-inflammatory antibody programs to the clinic.

Wholly-Owned Product Pipeline

Our most advanced, wholly-owned pipeline programs, ANB020 and ANB019, are described below:

ANB020: Anti-IL-33 Antibody

ANB020 is an antibody that inhibits the activity of IL-33 and is being developed to treat atopic diseases, including severe adult asthma and severe adult peanut allergy. Despite the key role of IL-33 in atopic diseases, it has been historically difficult for other antibody technologies to generate a functional anti-IL-33 therapeutic agent. We believe ANB020 is the most advanced antibody therapeutic candidate in development targeting the IL-33 cytokine. We anticipate filing an Australian CTN for ANB020 by the fourth quarter of 2015 and plan to commence a Phase 1 trial in Australia in early 2016.

IL-33 Target Biology

IL-33 is a pro-inflammatory cytokine that signals through the ST2 receptor, which multiple studies suggest serves as a central mediator of various immune responses leading to Th2-type inflammatory disorders, including asthma, food allergies, atopic dermatitis and other atopic diseases. In response to pathogens, viruses, toxins or

allergens, IL-33 is rapidly released from mucosal epithelial and endothelial cells. For example, a recent scientific study has indicated that individuals with asthma symptoms express higher levels of IL-33 than healthy control subjects. IL-33 initiates a diverse array of cellular immune responses, including the activation of mast cells, basophils and eosinophils, leading to production of downstream cytokines, such as IL-4, IL-5 and IL-13, associated with atopic diseases. IL-33 also acts on T helper 2, or Th2, effector cells and Innate Lymphoid Cell Type 2, or ILC2, two types of white blood cells that initiate and orchestrate atopic responses.

Because ANB020 inhibits IL-33 function and acts upstream of key cell types involved in atopy and the subsequent release of Th2 cytokines, we believe that its mechanism has advantages over that of competing therapeutic antibodies which block only a subset of IL-4, IL-5 or IL-13 cytokines.

Genetic studies support the importance of the IL-33 pathway in atopic diseases. These studies have demonstrated that certain ST2 mutations reduce IL-33 mediated signaling and thereby protect individuals with mutated ST2 from asthma. This supports the hypothesis that an anti-IL-33 antibody, such as ANB020, has the potential to benefit asthma patients.

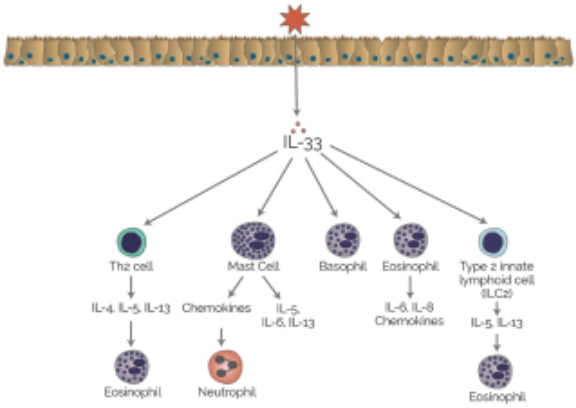


Figure 1. Types of cells and cytokines modulated by IL-33. When triggered by pathogens, toxins, viruses or allergens, IL-33 is an upstream mediator of Th2 cells, mast cells, basophils, eosinophils and ILC2 cells, which lead to the secretion of IL-4, IL-5, IL-13 and other chemokines.

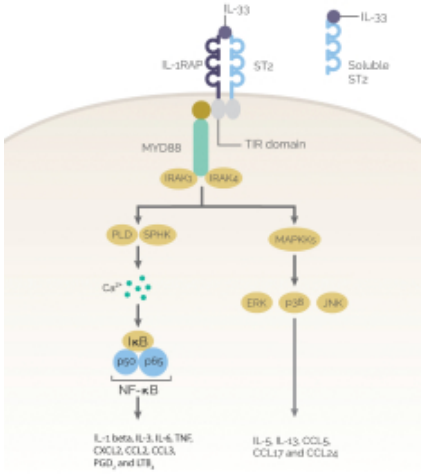


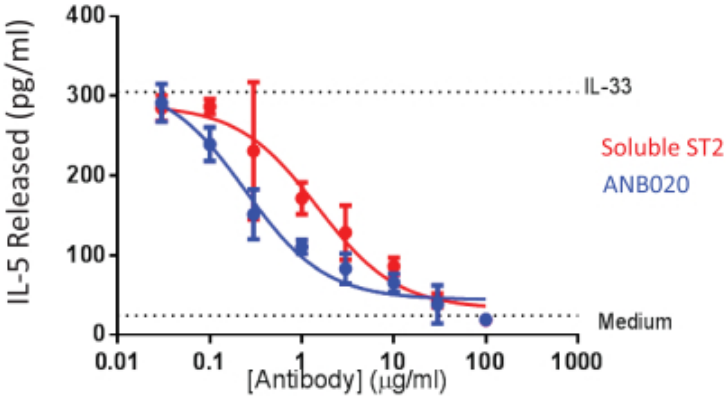
Figure 2. IL-33 intracellular signaling. IL-33 binds to ST2 that is expressed on the cell surface and triggers the activation of the IL-1 receptor accessory protein, or IL-1RAP, leading to the activation of MYD88, IRAK4 and downstream kinases and inducing cytokine release. Soluble ST2 acts as a decoy receptor, inhibiting IL-33 before it engages ST2 on the cell surface.

We believe that targeting IL-33 activity is a more promising therapeutic intervention strategy than targeting its receptor, ST2, because (i) ST2 is present in significantly larger quantities, in comparison to IL-33, which will likely require high anti-ST2 antibody dosing levels and (ii) soluble ST2 inhibits IL-33 function, therefore blocking ST2, and likely leading to the release of additional IL-33, thereby exacerbating atopic disease.

ANB020 Description

ANB020, which is potentially a first-in-class therapeutic antibody, is our wholly-owned anti-IL-33 antibody product candidate generated using our SHM-XEL technology platform.

Our preclinical studies have provided evidence of ANB020's favorable potency and functional activity in human and cynomolgus monkey *in vitro* assays. The high potency and functional activity of ANB020 for human and cynomolgus monkey IL-33 was measured using standard *in vitro* assays: equilibrium dissociation constant, or K_D, and half-maximal inhibitory concentration values, or IC_{50}. ANB020 demonstrated highly potent K_D values of approximately 1 pM and 37 pM for human and cynomolgus monkey IL-33, respectively. ANB020 inhibits secretion of IL-5 from primary basophils purified from peripheral blood of healthy subjects with an IC_{50} of approximately 1.5 nM, which is approximately 15-fold greater than that of the soluble ST2 antagonist, as shown in Figure 3 below. Lower K_D and IC_{50} values indicate higher potency and functional activity, respectively.



	Approximate IC_{50} (nM)
Soluble ST2	26
ANB020	1.5

Figure 3. Results from Anaptys *in vitro* assay comparing effectiveness of ANB020 and soluble ST2 in inhibiting IL-5 release.

Using peripheral blood mononuclear cells, or PBMC, ANB020 inhibited human and cynomolgus monkey interferon-gamma release with an IC_{50} of approximately 1.1 nM and approximately 20.4 nM, respectively as shown in Figure 4 below. We have developed a whole blood version of the PBMC assay, which we plan to utilize to understand the pharmacodynamic activity of ANB020 in clinical trials.

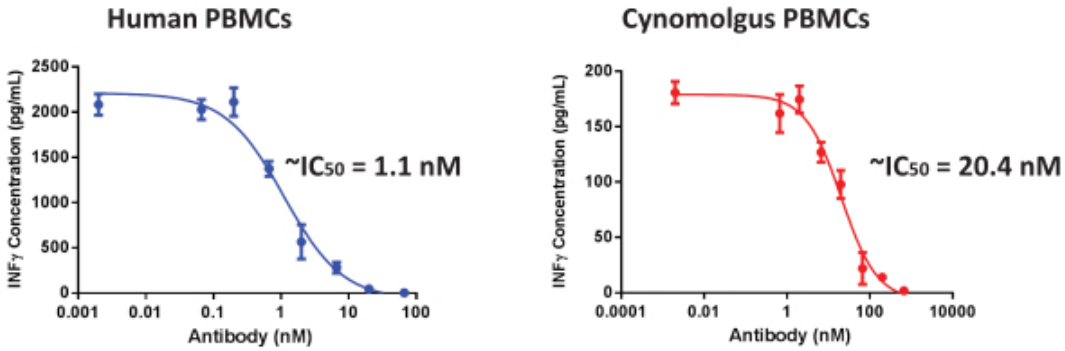


Figure 4. Activity read out of interferon-gamma release for PBMCs pretreated overnight with 100mg/ml IL-12, challenged with ten (human) or five (cynomolgus) nM IL-33 for 48 hours.

Our preclinical development has also demonstrated that ANB020 has favorable manufacturability, pharmacokinetics and toxicology to support development. Studies have demonstrated desirable manufacturing properties for ANB020, including robust expression from Chinese hamster ovary cells, or CHO cells, efficient purification using standard downstream techniques and stable formulation up to concentrations required for subcutaneous dosing in humans. ANB020 demonstrated a half-life of approximately seven days in cynomolgus monkeys, retained full functional activity when incubated in normal human serum at 37 °C for one week and proved to be fully active in cynomolgus monkey sera two weeks after dosing.

Clinical Development Plan

We plan to submit a CTN filing for ANB020 in the fourth quarter of 2015 to obtain approval for initial clinical testing of ANB020 in Australia. Conducting early clinical trials in Australia permits us to benefit from Australia's rapid regulatory review processes for first-in-human studies. We subsequently plan to initiate a healthy volunteer Phase 1 trial, intended to assess, in single and multiple ascending doses, safety, tolerability and pharmacokinetic characteristics of ANB020. We will concurrently utilize a whole blood *ex vivo* assay to identify its pharmacodynamic activity range. These tests are also expected to take place in Australia, and following completion of these tests we plan to submit a U.S. IND and conduct further clinical trials in the United States.

Once pharmacodynamic activity has been established in healthy volunteers, we plan to test the clinical activity of ANB020 in atopic dermatitis patients challenged with an allergen, after dosing with ANB020 or placebo.

After submitting a U.S. IND, we plan to test ANB020 in Phase 2 trials in patients with severe adult asthma and severe adult peanut allergy. Upon demonstrating proof-of-concept in Phase 2 trials, we intend to conduct Phase 3 registration trials for ANB020 in these indications. These later-stage trials may be conducted through collaboration with a leading pharmaceutical company with strong commercial infrastructure in respiratory and allergic therapeutic areas.

In addition, we are exploring the potential to develop ANB020 as a treatment for myeloproliferative neoplasms where the survival, expansion or transformation of pathogenic precursor cells may be dependent upon IL-33.

Figure 5 below describes our current anticipated clinical development strategy for ANB020 and our current estimate of the approximate timeframe in which our anticipated development activities will occur. However, as described in the section titled “Risk Factors” and elsewhere in this prospectus, the clinical development of drug product candidates is subject to a wide range of risks and uncertainties, any of which could cause our actual development strategy or timeframes to vary from the description in the figure below.

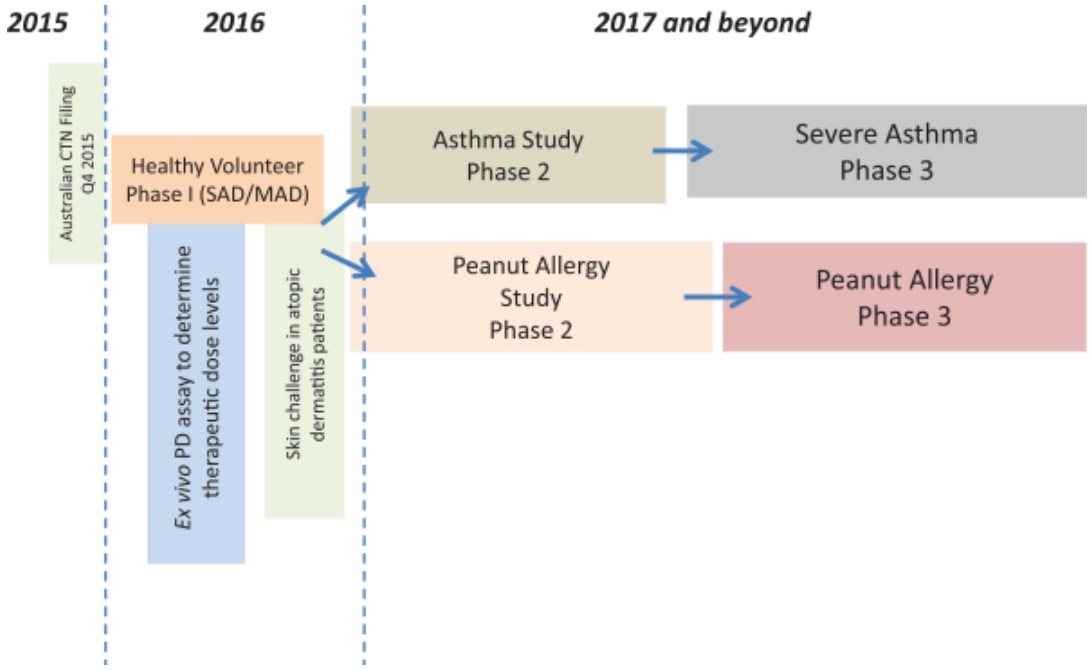


Figure 5. Anticipated ANB020 clinical development strategy.

As described above, we plan to pursue a clinical development strategy that involves conducting our initial clinical trials in Australia. We have elected to pursue this strategy in order to benefit from Australia’s rapid regulatory review processes for first-in-human studies and from certain financial incentives that Australia makes available for biotechnology research and development. In addition, we believe that clinical data generated in Australia will subsequently be accepted by the FDA and its foreign equivalents outside of Australia, and therefore may enable us to commence Phase 2 clinical trials in the United States immediately following submission of an IND, without any need for us to repeat our Phase 1 trial in the United States. However, the FDA is not required to accept Phase 1 data generated in Australia, and our ability to use the Phase 1 data generated in our Australian clinical trials to avoid the need to repeat Phase 1 clinical trials in the United States will depend on the results of our Australian clinical trials and the outcome of subsequent discussions with the FDA.

ANB020 Market Opportunity

A significant portion of individuals in the U.S. population experiences at least one atopic disease during their lifetime, and it is well understood that most patients with one type of atopic condition tend to present with other allergic conditions. While we believe ANB020 may be effective across atopic diseases, we have prioritized our development efforts based on unmet medical need and potential market opportunity. We have chosen to focus our ANB020 program initially on two indications: severe adult asthma and severe adult peanut allergy.

Asthma. We estimate, based on our analysis of publicly available data sources and interviews with physicians and key opinion leaders in the field, that asthma affects approximately 7.7% of the adult U.S. population, or

19.0 million individuals, of which 19%, or 3.6 million individuals, have severe, persistent occurrence of this respiratory disease. As a chronic inflammatory disorder, severe asthma can lead to permanent structural damage to the airways and long-term reductions in lung function. Although many mild-to-moderate asthmatics respond well to currently available treatments, which include inhaled corticosteroids, or ICS, and long-acting beta agonists, or LABA, severe asthma in patients is generally not adequately controlled by such available therapies. We will initially focus on the treatment of severe asthma that, based on our analysis, includes 1.1 million adult patients whose disease is not sufficiently controlled through standard-of-care therapy. We have conducted primary market studies that estimate approximately 45% of these patients are candidates for biologic therapies, such as ANB020.

Existing biologic therapies include Xolair, which is approved for the treatment of moderate to severe persistent allergic asthma patients whose asthma symptoms are not controlled by ICS. Xolair's approved labeling carries a black box warning about the risk of anaphylaxis, a severe, potentially fatal, allergic reaction. Other emerging therapies currently in development, such as lebrikizumab, have yet to be approved by the FDA for treatment of asthma while a federal Advisory Committee has recently recommended that the FDA approve mepolizumab for add-on maintenance treatment in patients aged 18 years or older with severe eosinophilic asthma. Xolair is a difficult drug to prescribe due to complex dosing algorithms, frequent administration and risk of anaphylaxis, and we expect the indications for mepolizumab and lebrikizumab will be limited to subsets of the asthma market defined by biomarkers. Because we do not currently intend to use biomarkers as inclusion criteria for our pivotal trials for ANB020, we anticipate that ANB020 will have significant market potential in the treatment of severe adult asthma patients, without biomarker restrictions, who are refractory to ICS.

Peanut Allergy. Peanuts are the most common cause of food-induced allergy in the United States. We estimate, based on our analysis of publicly available data sources and interviews with physicians and key opinion leaders in the field, that approximately 1.7 million adults in the United States have allergic responses to peanut. We estimate approximately 600,000 are treated by allergists and approximately 400,000 are at risk for severe reactions and therefore we believe are suitable for treatment with systemic biological therapies.

Existing therapies have failed to prevent the occurrence of severe reactions due to accidental peanut exposure, which often results in systemic anaphylaxis and can lead to death. Immunotherapy approaches, such as oral desensitization, currently being developed for this indication require patients to be dosed with increasing quantities of peanut antigens over time. If patients are able to overcome the toxicities of this allergen-based approach, therapeutic benefit may be observed after 12-24 months of oral or skin patch based delivery of peanut allergens. The long-term safety and efficacy of immunotherapy is still uncertain, and these desensitization treatments have not yet been approved by the FDA.

ANB020 has the potential to rapidly suppress severe adult peanut allergy through its cytokine targeting mechanism, which is allergen non-specific, allowing patients with multiple allergic responses to benefit from a single therapy, and avoids tolerability issues by acting without allergen dosing. If approved, we anticipate that ANB020 could become the standard-of-care for the treatment of severe adult peanut allergy patients.

ANB019: Anti-IL-36R Antibody

Overview

ANB019 is an antibody that inhibits the function of IL-36R, which we are initially developing as a potential first-in-class therapy for GPP patients. GPP is a life-threatening, rare systemic inflammatory disorder reported to affect approximately 3,000 patients in the United States alone, with no currently approved therapies. Studies have shown that GPP is associated with mutations in the gene encoding the IL-36R antagonist, or IL-36RA, that lead to abnormally high signaling through the IL-36R and thereby cause the systemic inflammatory condition, GPP. We believe ANB019 is the most advanced antibody targeting the IL-36R in development.

We anticipate filing an Australian CTN for ANB019 during the second half of 2016 and initiating a Phase 1 trial in Australia during the second half of 2016. We also plan to develop ANB019 for other IL-36R driven inflammatory

conditions, including PPP, which is reported to affect approximately 150,000 patients in the United States. We plan to seek FDA Orphan Drug Designation for ANB019 for the treatment of GPP and PPP, which we believe may be differentiated from the non-rare plaque psoriasis, or psoriasis vulgaris, based upon distinctive genetic and translational features unique to GPP and/or PPP.

IL-36R Target Biology

The IL-36 subfamily of proteins consists of the IL-36 receptor antagonist, or IL-36RA, as well as IL-36 alpha, IL-36 beta and IL-36 gamma, all of which have agonistic characteristics and signal through IL-36R. These IL-36 proteins are mainly expressed in keratinocytes, the predominant cell type in the epidermis. The role of the IL-36RA is to dampen the inflammatory effects of IL-36 alpha, IL-36 beta and IL-36 gamma.

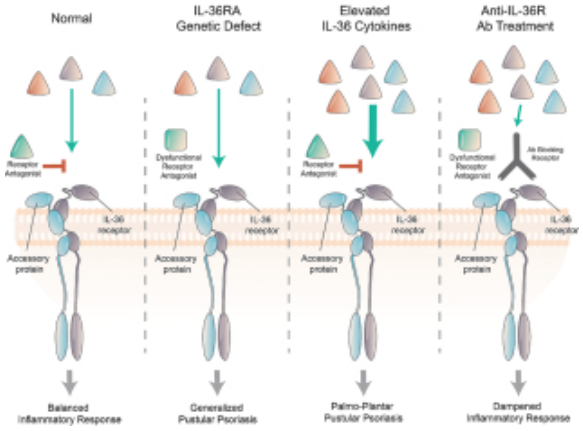


Figure 6. IL-36 Receptor Signaling. Signaling is maintained in balance by the receptor antagonist. Mutations render the receptor antagonist dysfunctional and lead to uncontrolled signaling GPP. PPP is caused by excess cytokine signaling that overcomes a normal receptor antagonist.

Studies have demonstrated the relevance of IL-36 in regulating inflammation in the skin. Mice over-expressing the IL-36 alpha cytokine undergo a psoriasis-like condition when challenged with an inflammatory stimulus. Additionally, immuno-deficient mice transplanted with human psoriatic skin have been shown to require the IL-36R signaling to maintain disease.

Recent human studies have demonstrated that mutations in the IL-36RA lead to the occurrence of GPP by rendering it non-functional and unable to dampen IL-36R signaling. These findings support our hypothesis that IL-36 signaling plays a significant role in GPP.

We believe that ANB019 has the potential to be the first-in-class therapeutic antibody targeting IL-36R, serving as a therapeutic opportunity for patients with IL-36 signaling mediated inflammatory disease, including GPP.

ANB019 Description

ANB019 was generated using our SHM-XEL technology platform and has demonstrated high functional potency in blocking human and cynomolgus monkey IL-36 signaling in preclinical studies.

ANB019 blocks signal transduction through the human IL-36R and cynomolgus monkey IL-36R by inhibiting the interaction between the receptor and IL-36 alpha, IL-36 beta, and IL-36 gamma cytokines. The high potency and functional activity of ANB019 for human and cynomolgus monkey IL-36R was measured using standard *in vitro* assays to determine K_D, and IC_{50} values. ANB019 has demonstrated potent K_D values of approximately of 71 pM and 209 pM for human IL-36R and cynomolgus monkey IL-36R, respectively. The antibody exhibits high specificity for IL-36R, displaying no detectable binding to related proteins. As shown in

Figure 7 below, functional potency of ANB019 is at least 100-fold greater than IL-36RA in both human and cynomolgus systems, which is measured as the IC_{50} of inhibition of interleukin-8, or IL-8, release from human and cynomolgus keratinocytes. ANB019 functional activity has been demonstrated through inhibition of IL-8 secretion from human and cynomolgus primary keratinocytes when stimulated by IL-36 gamma of approximately 0.15 nM and 1.2 nM, respectively. Lower K_D and IC_{50} values indicate higher potency and functional activity, respectively. Similar IC_{50} values were observed in those same preclinical studies when keratinocytes were stimulated with IL-36 alpha or beta.

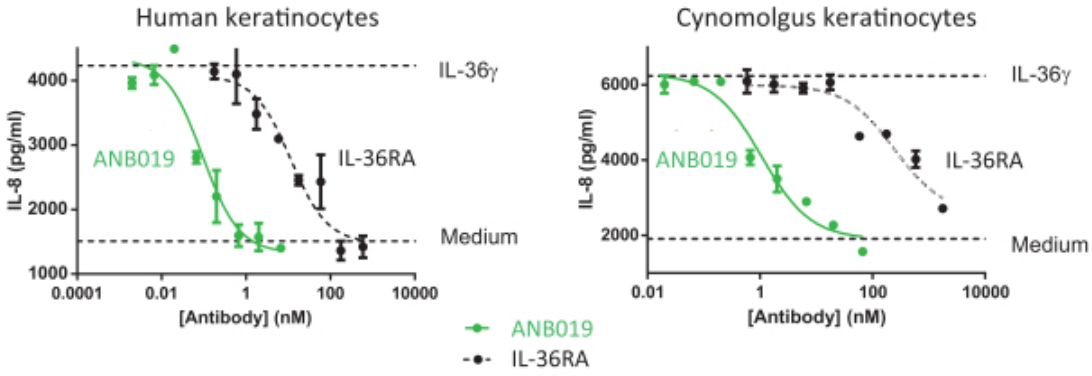


Figure 7. ANB019 demonstrated functional inhibition in our preclinical studies and inhibited functional activity of IL-36 cytokines with at least 100-fold greater potency than IL-36RA.

We have initiated manufacturing, pharmacokinetic and safety studies with ANB019, and plan to initiate clinical development during the second half of 2016. To date, we have demonstrated that the half-life of ANB019 in cynomolgus monkeys is more than nine days. ANB019 is well-expressed from CHO mammalian cells and is readily purified using standard methodologies. In addition, the antibody retained full functional activity when incubated in normal human serum at 37 °C for one week.

Clinical Development Plan

We plan to initiate clinical development of ANB019 in Australia with a healthy volunteer, Phase 1 dose escalation trial involving single and multiple ascending dose protocols, while also utilizing *ex vivo* assays to determine the antibody's pharmacodynamic activity range. Following completion of this initial Phase 1 trial, we plan to conduct further clinical testing in the United States.

Our initial clinical testing of ANB019 will focus primarily on GPP patients. We currently plan to conduct a registration program in the United States with ANB019 in GPP patients who have mutations that render their IL-36RA dysfunctional, starting with an initial signal study with five to ten patients. Based on the therapeutic effect we anticipate ANB019 will have in the treatment of patients with GPP who have the relevant genetic defect, we believe a small trial, potentially with fewer than 100 patients, may be sufficient to demonstrate substantial evidence of efficacy and safety. We intend to obtain input from FDA on clinical trial design before conducting a pivotal clinical trial in patients with GPP.

Once the aforementioned GPP registration study has been initiated, we intend to develop ANB019 for PPP. We anticipate a dose-ranging Phase 2 trial for PPP with United States and foreign testing sites, followed by one or more Phase 3 pivotal registration trials. If we use a diagnostic test to select patients for inclusion in our registration program, such as a genetic test for IL-36RA mutations, the FDA may require that the companion diagnostic be approved or cleared for use at the time the product receives marketing approval.

Human studies have shown that IL-36 cytokines are highly upregulated in psoriasis vulgaris, in conjunction with some upregulation of other inflammatory cytokines such as TNF-alpha, IL-17A, IL-6 and IL-12. Therefore,

we may, as part of our initial clinical testing of ANB019, conduct a proof-of-mechanism clinical trial with psoriasis vulgaris patients who are not currently on any biological therapies. In addition, we may also consider clinical development of ANB019 for patients with psoriasis vulgaris that have failed treatment with the current standard of care, including Stelara (ustekinumab) and Cosentyx (secukinumab).

Figure 8 below describes our current anticipated clinical development strategy for ANB019 and our current estimate of the approximate timeframe in which our anticipated development activities will occur. However, as described in the section titled “Risk Factors” and elsewhere in this prospectus, the clinical development of drug product candidates is subject to a wide range of risks and uncertainties, any of which could cause our actual development strategy or timeframes to vary from the description in the figure below.

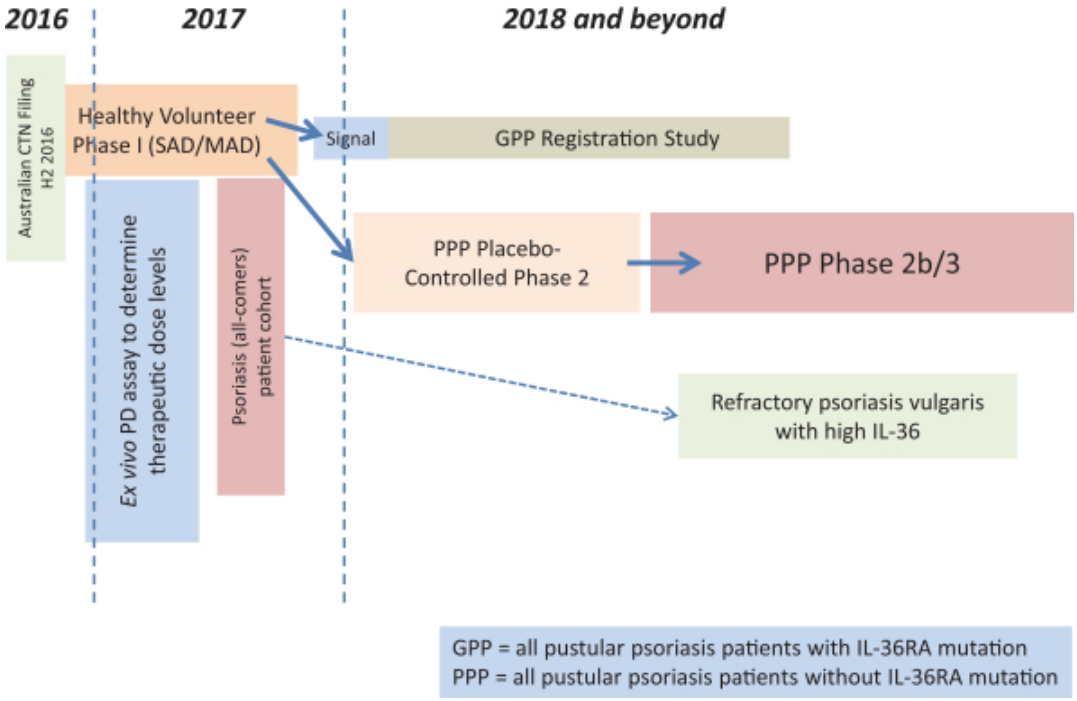


Figure 8. Anticipated ANB019 clinical development strategy.

As described above, we plan to pursue a clinical development strategy that involves conducting our initial clinical trials in Australia. We have elected to pursue this strategy in order to benefit from Australia’s rapid regulatory review processes for first-in-human studies and from certain financial incentives that Australia makes available for biotechnology research and development. In addition, we believe that clinical data generated in Australia will subsequently be accepted by the FDA and its foreign equivalents outside of Australia, and therefore may enable us to commence Phase 2 and possibly registration clinical trials in the United States immediately following submission of an IND, without any need for us to repeat our Phase 1 trial in the United States. However, the FDA is not required to accept Phase 1 data generated in Australia, and our ability to use the Phase 1 data generated in our Australian clinical trials to avoid the need to repeat Phase 1 clinical trials in the United States will depend on the results of our Australian clinical trials and the outcome of subsequent discussions with the FDA.

ANB019 Market Opportunity

IL-36R cytokine dysfunction is implicated in multiple inflammatory disorders including GPP, PPP, and potentially in severe, refractory cases of psoriasis vulgaris.

Generalized Pustular Psoraisis. GPP is a chronic, life-threatening, rare disease with no currently approved therapies. GPP is a systemic inflammatory disease characterized by the development of widespread pustules marked by idiopathic exacerbations. In severe cases, GPP patients can die from cardio-pulmonary failure, exhaustion, toxicity and/or infection subsequent to occurrences of pustular flares. Patients with GPP suffer without robust therapeutic options because currently approved psoriasis management therapies have not demonstrated clear efficacy in the treatment of this condition.

Through assessment of public literature and primary key opinion leader discussions, we estimate GPP affects approximately 3,000 individuals in the United States. We have conducted, and will continue to conduct, genotyping studies to identify GPP patients for potential enrollment in our upcoming clinical trials in this indication. Given the limited size of this patient population in the United States, we plan to seek Orphan Drug Designation from the FDA for ANB019 for the treatment of GPP. The FDA may grant Orphan Drug Designation to a product intended to treat a rare disease or condition—generally one that affects fewer than 200,000 individuals in the United States. If we obtain Orphan Drug Designation for ANB019 for the treatment of GPP and subsequently are the first BLA applicant to receive FDA approval for a product containing the same active molecular structure as ANB019, ANB019 would be entitled to a seven-year exclusive marketing period in the United States for the treatment of GPP. Although the GPP patient population is small, we believe there is an unmet medical need that ANB019 may be able to address.

Palmo-plantar Pustular Psoriasis. PPP is a non-fatal form of pustular psoriasis that we estimate affects approximately 2% of total psoriasis cases, approximately 150,000 patients in the United States alone. Patients experience a chronic occurrence of sterile pustules on their hands and feet, while systemic levels of IL-36 cytokines and other inflammatory disease biomarkers are also elevated. Patients with severe symptoms may have significant pain and be unable to stand, walk or do manual work, resulting in greatly diminished quality of life. Existing anti-inflammatory therapeutic options to our knowledge have not proven to be consistently effective in treating PPP. As we believe the PPP patient population to be less than 200,000 individuals in the United States, we plan to seek Orphan Drug Designation from the FDA for ANB019 in this indication as well.

Refractory Psoriasis Vulgaris. Refractory psoriasis vulgaris is another potential market opportunity for the development of ANB019. While the approved biologics that target these three cytokine pathways, including Stelara (ustekinumab) and Cosentyx (secukinumab), are effective for the majority of psoriasis vulgaris patients, a subset of the population is refractory to approved biologics. For purposes of developing an estimate, we have defined the refractory population as the subset of the patient population that does not have at least a 75% response to the leading approved therapy, which is Cosentyx. Based on this definition and our analysis publicly-available information and literature, we estimate that approximately 5% of the patient population, representing approximately 375,000 patients, is refractory to the leading approved therapy for psoriasis vulgaris. We hypothesize that IL-36 cytokine function is the key inflammatory driver in such refractory patients, and therefore these patients may benefit from ANB019.

Discovery-Stage Programs

Our strategy includes the discovery and development of therapeutic antibodies targeting emerging opportunities in inflammation and immuno-oncology. In addition to the programs described above, we are currently developing wholly-owned (i) anti-inflammatory antibodies that agonize checkpoint receptors to suppress T cell function and (ii) potentially first-in-class immuno-oncology antibodies against checkpoint receptors that are primarily expressed in distal stages of T cell activation. Each of these programs is in lead selection stages and we anticipate moving at least one new product to IND-enabling manufacturing and preclinical studies during 2016.

Our SHM-XEL Antibody Discovery Platform

Antibody Overview

Antibodies are complex proteins naturally generated by the immune system to neutralize foreign pathogens such as bacteria or viruses. B cells, a white blood cell type responsible for the generation of antibodies in response to pathogens, secrete billions of antibodies with different specificities into the bloodstream. Antibodies are structurally distinct Y-shaped proteins formed through the combination of two long proteins, called heavy chains, and two short proteins, called light chains. Each heavy and light chain pair forms a binding site where the antibody specifically binds its target, otherwise known as an antigen, at the Fab domain of the antibody molecule. The specificity of each antibody to a target, and the potency of its binding strength to that target are defined by the amino acid sequences of heavy and light chains in the Fab domain of the antibody molecule. The other end of the antibody, called the Fc domain, is responsible for communication between the antibody and the rest of the immune system. Fc domains bind to various receptors and cause immune system effector responses.

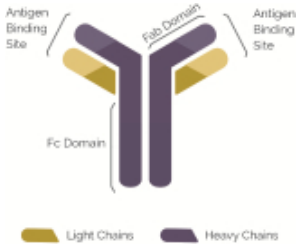


Figure 9. Antibody structure. Antibodies are composed of two heavy and light chains paired into a Y-shaped formation. Antigen binding occurs at the antigen binding site, formed by the heavy and light chain Fab domains, while the Fc domain of the heavy chains form the effector end of the antibody.

Therapeutic antibodies are typically non-naturally occurring, or recombinant, antibodies specifically developed to treat human diseases by binding to certain proteins, and thereby modulating key biological processes. Therapeutic antibodies are injectable products that are typically dosed subcutaneously or intravenously, unlike synthetic chemistry-based "small molecule" therapeutics that may also be administered orally. Therapeutic antibodies have the following key features that we believe make them more predictable than small molecules:

- **Target Specificity.** Due to the large size and complex nature of the antibody Fab domain, antibodies generally bind with high specificity to the desired therapeutic target and tend to exhibit less off-target binding to unrelated proteins, which lowers the risk of unintended biological side effects such as toxicity.
- **Pharmacokinetics and Dosing Frequency**. As complex proteins, antibodies are metabolized and distributed differently than small molecules. Full length antibodies tend to exhibit serum half-lives of seven to 24 days in humans, leading to bi-weekly or monthly dosing as typical practice for therapeutic antibodies.
- **Potency and Dose Quantities.** Antibodies are typically highly potent in binding to their desired target, with binding dissociation constants in the low nanomolar to picomolar range. Hence, antibodies tend to be dosed at low amounts (less than 1 gram quantities per course of therapy).

We believe that therapeutic antibodies can be significantly de-risked pre-clinically for specificity, toxicology and pharmacokinetics, which is not generally true for small molecule drugs.

Since the first therapeutic antibody was approved by the FDA in 1986, the pharmaceutical industry has sought opportunities to leverage antibodies as therapeutic agents to treat human disease. Global sales of therapeutic antibodies have reached over $40 billion annually and are predicted to remain a fast-growing segment of the therapeutic market.

Limitations of Competing Antibody Technologies

Despite the promise of antibodies as a therapeutic modality, historically it has been difficult and time-consuming to generate therapeutic-grade antibodies utilizing competing antibody discovery technologies. Such technologies have relied primarily on mouse immunization methodologies (such as wild-type or engineered mice), microbial antibody display libraries (such as phage or yeast cell display) or human B cell screening to generate antibodies against therapeutic targets of interest. We believe the key limitations of these competitive approaches include:

- **Insufficient Diversity**. Each of the prior technologies has limited, and often static, diversity of antibodies available for selection. The number of therapeutic targets that can be addressed by the available antibodies is therefore limited. It is particularly difficult for mouse immunization approaches to identify therapeutics against conserved proteins that are homologous between human and mouse species;
- **Lack of Functional Activity Selection.** Competing technologies have not been able to drive antibody selection on the basis of functional activity. Even if antibodies are available against a certain target, they may not bind the correct region or epitope of the protein to achieve the intended functional therapeutic effects;
- **Low Potency.** Antibodies from competing technologies tend to demonstrate low binding potencies against their targets. Such incomplete binding may not result in therapeutic effect that is sufficient to change disease outcomes, or require impractically high doses to convey therapeutic benefit; and
- **Unpredictable Manufacturing Properties.** Using microbial display systems such as phage and yeast display libraries has resulted in unpredictable expression, stability and formulation when manufacturing is initiated using mammalian cells, thus leading to poor production yields and product stability.

Mouse immunization methodologies. Mouse immunization methodologies involve the administration of human target antigen to mice with wild-type or engineered immune systems, with the assumption that their immune systems will generate antibodies with sufficient potency against the desired human antigen epitope to convey biological effect. A key limitation of this approach is that when the mouse is dosed with an antigen that is similar in the human and mouse, the antigen is seen by the mouse immune system as a one of its own proteins, and very few, if any, antibodies are generated. In addition, the mouse immune system often generates mouse antibodies to epitopes that are not therapeutically relevant to humans, leading the resulting antibodies to bind the human target but failing to convey therapeutic effect.

Microbial antibody display systems. Microbial antibody display systems require screening of antibodies, typically formatted as antibody fragments, from a static library diversity displayed on a bacterial or yeast microbial cell surface. The static nature of these libraries limits the range of antibody specificities to 10^9 or 10^{10} range, which is generally insufficient to avail high-affinity antibodies against many antigens. This can lead to suboptimal potency, and subsequently require phage/yeast antibodies to be matured significantly, typically with random mutagenesis, to obtain therapeutic level potencies, which is a labor-intensive and inefficient process. In addition, antibodies selected using this approach are expressed through the microbial cell expression machinery, which differs significantly in terms of manufacturability (expression level, glycosylation, formulation and stability) from mammalian cell expression typically utilized for clinical and commercial manufacturing of therapeutic antibodies. Such differences typically lead to difficulties in mammalian cell manufacturing of microbial display-derived antibodies.

Human B cell screening methodologies. Human B cell screening methodologies involve the screening and isolation of antibodies from peripheral human blood against therapeutic antigens of interest. The key limitation of this approach is that circulating human B cells generally do not develop antibodies against endogenous proteins because their function is to develop humoral immunity against foreign pathogens, such as bacteria and viruses. Therefore, it is challenging to obtain therapeutic antibodies against human antigens through this approach.

Our Technology Solution

Our innovative platform is designed to replicate the natural process of SHM embedded within the human immune system to rapidly develop a diverse range of therapeutic-grade antibodies *in vitro*. SHM is a critical, endogenous process that generates the essential antibody diversity required to develop a natural immune response to pathogens. Our genomes encode a limited number of antibody genes, which are insufficient to generate antibodies against the wide variety of foreign pathogens encountered from the external environment. SHM enables our immune system to expand the limited diversity encoded within our genomes to the billions of antibody specificities required to defend ourselves against external pathogens.

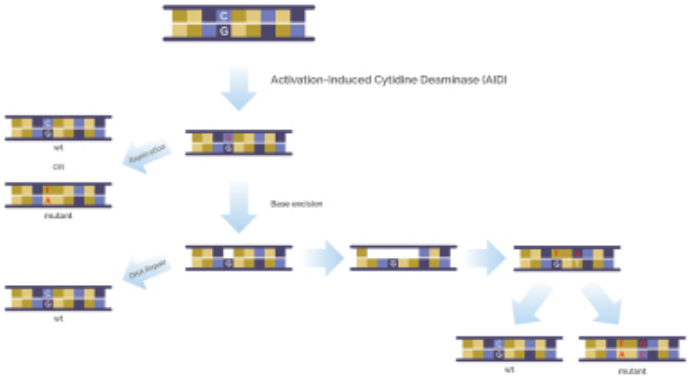


Figure 10. Mechanism of SHM. SHM is initiated by the Activation-Induced Cytidine Deaminase, or AID, which converts cytidine to uracil at key positions, resulting in subsequent replication, DNA repair and base excision processes that generate either wild-type (wt) or mutant DNA molecules.

The key enzyme required for SHM is called activation-induced cytidine deaminase, or AID. AID has been genetically conserved throughout mammalian biology and is required for the non-random mutagenesis pattern associated with SHM. AID is specifically expressed by B cells after contact with a foreign pathogen and modifies antibody sequences in a non-random fashion. Through SHM, B cells evolve antibodies with the potency and specificity required to clear the foreign pathogen. However, within the *in vivo* environment, SHM does not generally progress to the creation of high potency antibodies or develop antibodies against the body's own proteins.

By coupling *in vitro* SHM with our mammalian cell system that simultaneously displays and secretes antibodies, we believe SHM-XEL is able to rapidly identify and mature antibodies with desired functional activity to high potency while simultaneously mitigating the risks associated with manufacturing. We introduce AID into mammalian cells to replicate the non-random mutagenesis SHM pattern observed within B cells *in vivo*. Starting with a library of either fully-human or humanized antibodies, our platform generates AID-based variants of the starting antibody library throughout the process. We have demonstrated that the pattern of mutagenesis we observe *in vitro* using our platform technology closely mimics the pattern observed among *in vivo* generated antibodies, thereby increasing confidence that antibodies generated by our platform will be tolerated when used as therapeutic drugs in humans.

By selecting antibodies based on their antigen binding from the broad antibody library population SHM-XEL develops, we are able to evolve in an iterative fashion the binding potency and function of antibodies to levels that we believe will be required for therapeutic use. We believe this approach allows us to rapidly generate antibodies with high binding potency against a target. Through this approach, we have successfully generated therapeutic antibody product candidates to more than 25 targets, including targets that have been challenging for competing antibody technology platforms to generate such as IL-33 and TIM-3.

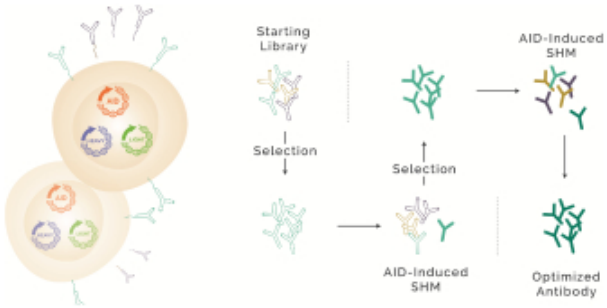


Figure 11. SHM-XEL Antibody Generation Process. Our platform initiates antibody selection from starting libraries of human and non-human diversity, which is further optimized through iterative rounds of SHM and selection.

Each evolving antibody is expressed within the SHM-active mammalian cell to concurrently (i) display the evolved antibody on the cell surface to permit cell sorting selection for potency properties while (ii) the same antibody is secreted into the extracellular media at sufficient quantities to permit functional assays to be conducted. In this manner, the evolving antibodies expressed by each transfected cell are assessed in a high-throughput fashion for the desired functional activity relevant to the therapeutic mechanism.

We believe our antibody discovery platform, as described above, has the following advantages over competing approaches:

- **Diversity against difficult targets.** We are able to generate an unprecedented diversity of antibodies by applying SHM-based diversification outside of the constraints of an *in vivo* environment. This enables us to develop antibodies against human targets that we believe have not otherwise been accessible to prior technologies.
- **High potency.** Because our platform generates highly-potent antibodies, we are potentially able to modulate every extracellular target associated with human disease, and believe only small therapeutic doses may be required to mediate therapeutic effect *in vivo*.
- **Functional activity selection.** Our mammalian cell system simultaneously displays and secretes antibodies during the antibody discovery process, allowing us to incorporate functional assays throughout the process and focus on producing product candidates that are optimized for the desired therapeutic activity.
- **Speed.** Our platform technology enables us to generate therapeutic-grade antibodies and initiate subsequent preclinical manufacturing and toxicology studies, typically in less than 12 months. We believe this timeline is significantly shorter than conventional approaches based upon mouse immunization and microbial display systems.
- **Manufacturability.** By utilizing our mammalian cell display system, we believe our approach increases the probability of success in manufacturing and commercialization by mitigating the risks associated with antibody expression, formulation and stability during the antibody generation process.
- **Bispecific antibodies.** A bispecific antibody is a single therapeutic molecule designed to bind two different targets. Bispecific antibodies have the advantage of combining two therapeutic mechanisms with the goal of increasing therapeutic efficacy, in comparison to monospecific antibodies that bind

either of the targets individually. We believe our competitors' bispecific strategies generally rely on proteins with non-natural formats, resulting in unpredictable pharmacokinetics and manufacturing properties. Our strategy is to develop bispecific antibodies that are composed of two different heavy chains with a common shared light chain that resemble the natural antibody structure and exhibit the desired functional activity to each target. Utilizing our proprietary SHM-XEL platform, we are able to generate a large diversity of heavy and light chain varieties against each therapeutic target, and then co-mature a common light chain in the context of two different heavy chains, which permits us to identify bispecific antibodies with sufficient potency against each of the two targets that we believe will provide greater therapeutic benefit.

Collaborations

TESARO

In March 2014, we entered into a collaboration and exclusive license agreement with TESARO. We executed an amendment in November 2014 to add an additional dual-reactive antibody product candidate. Under the terms of the amended agreement, we granted TESARO an exclusive, royalty-bearing, sublicensable worldwide license to research, develop, manufacture, market and sell products based on our proprietary technology for the discovery, generation and optimization of certain specified immunotherapy antibodies. Specifically, we granted TESARO exclusive rights to three monospecific antibody product candidates targeting TIM-3, LAG-3 and PD-1 (TSR-042) and three bispecific antibody product candidates targeting PD-1/TIM-3, PD-1/LAG-3 and an undisclosed target. Under the amended agreement, we are responsible for performing initial discovery and development of therapeutic antibodies with the goal of generating immunotherapy antibodies for use in the treatment of cancer. TESARO is responsible for all subsequent preclinical, clinical, regulatory, manufacturing and other activities necessary to develop and commercialize antibodies selected under each of six development programs, and TESARO is obligated to use commercially reasonable efforts to research, develop and commercialize at least one product to each of the four targets. During the term, other than under the collaboration, both TESARO and we are prohibited from developing and commercializing, independently or with a third party, any agents targeting LAG-3, PD-1 or TIM-3, as single agents or in combination with other therapies.

Under the terms of this agreement, TESARO made up-front, non-creditable and non-refundable cash payments aggregating $19.0 million to us during 2014. TESARO is also required to reimburse us on a quarterly basis for specified costs incurred by us in our initial discovery and development activities covered by the agreement. For products to each of the four targets, TESARO is required to make milestone payments to us of up to $18.0 million if certain research and development milestone events are achieved, and up to an additional $90.0 million of milestone payments if certain U.S. and non-U.S. regulatory submissions and approvals occur in initial and subsequent indications. TESARO will also be required to pay us tiered single-digit royalties, on a product-by-product basis, on worldwide annual net sales, and additional commercial milestone payments if specified levels of annual net sales of a product are attained.

This agreement expires when no further payments are due to us, unless earlier terminated. Either party may terminate the agreement in the event of an uncured material breach by the other party. TESARO may terminate the agreement at any time upon 90 days' prior written notice to us.

Celgene

In December 2011, we entered into a collaboration agreement with Celgene, or the Collaboration Agreement, to develop human therapeutic antibodies against multiple biological targets. We completed our responsibilities under the terms of the agreement to generate antibodies against various mutually agreed biological targets. On a target-by-target basis, we provided Celgene an option to obtain rights to develop and commercialize a defined number of antibodies against each target. We were successful in generating antibodies against multiple targets and Celgene has exercised its option with respect to antibodies against three targets. Celgene is currently advancing two anti-flammatory antibodies to the clinic.

Upon execution of the Collaboration Agreement in 2011, Celgene paid us a one-time, non-refundable, non-creditable initial fee of $6.0 million. Celgene has reimbursed us for specified research costs in accordance with the research plans. Celgene is also obligated, on a project-by-project basis, to pay us up to a total of an additional $18.0 million if certain research and development milestone events are achieved under such project and up to a total of an additional $35.0 million if certain regulatory milestone events are achieved under such project. Celgene will also be required to pay us single digit royalties on net sales of products containing the delivered antibodies on a product-by-product and country-by-country basis until the later of the expiration of the last patent right that covers manufacture, use or sale of such product in such country, and in any case at least ten years after the first commercial sale of the product in such country.

The Collaboration Agreement continues until our royalty rights on any Celgene product resulting from the collaboration expire, which period will last at least ten years after any such product first goes to market. Either we or Celgene may terminate the agreement in the event of an uncured material breach by the other party. Celgene may also terminate the agreement at any time prior to the delivery of any of the contemplated antibodies upon 90 days' prior written notice to us.

In-Licensing Agreements

License Agreement with MRC

In 2006, we entered into an exclusive worldwide license agreement with the Medical Research Council, or MRC, to obtain rights to multiple patents and patent applications relating to fundamental discoveries with respect to SHM and AID by Dr. Michael Neuberger and his colleagues. We since amended this license agreement to include additional subject matter. Under the terms of the agreement, or the MRC Agreement, we obtained an exclusive, worldwide, sublicensable license under specified patent rights to manufacture, use, sell and commercialize products and methods covered by such patents for all fields of use. We are responsible for prosecution of the licensed patents and the development of therapeutic products covered by the intellectual property. We are obligated to research and develop licensed methods and licensed products for the purpose of commercializing such methods and products at least as diligently as we research and develop our other products of similar market potential and stages of development.

We are responsible for paying MRC an annual fee of $55,000. Additionally, for each product developed and commercialized under the MRC Agreement, we are obligated to pay MRC up to an additional $175,000 upon the achievement of specified development milestone events and up to an additional $275,000 upon the achievement of specified regulatory milestone events. In addition we owe MRC royalties at 0.25% of net sales for worldwide sales on a product-by-product at or below $750 million and 1% of net sales of products worldwide above $1 billion, payable on a country-by-country basis until the expiration of the last licensed patent covering such product in such country. Under this license agreement, we have filed 41 patent applications and have obtained issuance of 16 patents worldwide.

Unless earlier terminated, the MRC Agreement will expire upon expiration of all royalty payment obligations under the MRC Agreement. Either party may terminate the MRC Agreement in the event of an uncured material breach by the other party or upon the occurrence of specified bankruptcy events for the other party. We may terminate the MRC Agreement upon 60 days' notice to MRC.

License Agreement with Millipore

In May 2009, we signed a non-exclusive research and commercial license agreement with Millipore Corporation, or Millipore, to obtain a non-exclusive license to patents and patent applications directed to the ubiquitous chromatin opening elements technology for the expression of proteins, particularly antibodies, generated by us, which license may be sublicensed to our contractors and partners. Under the terms of the agreement, or the Millipore Agreement. we are obligated to pay Millipore $87,500 in annual license fees. Additionally, for each product developed and commercialized under the Millipore Agreement, we are obligated

to pay Millipore up to an additional $75,000 upon the achievement of specified development milestone events and up to an additional $4.4 million upon the achievement of specified commercial milestone events. We do not owe Millipore any royalties on net sales of products commercialized under the Millipore Agreement.

Unless affirmatively terminated by one of the parties, the Millipore Agreement will continue in effect. Either party may terminate the Millipore Agreement in the event of an uncured material breach by the other party. We may terminate the Millipore Agreement upon 90 days' notice to Millipore.

AnaptysBio Pty. Ltd

In March 2015, we established a wholly-owned Australian subsidiary called AnaptysBio Pty. Ltd, in order to conduct various preclinical and clinical activities for ANB020 and ANB019. By establishing an Australian subsidiary, we are able to access an established network of manufacturing and clinical development support contractors located in Australia, and to benefit from Australia's rapid regulatory review processes for first-in-human studies. In addition, we believe our Australian subsidiary will be eligible for certain financial incentives made available by the Australian government for biotech research and development expenses.

Intellectual Property

Our intellectual property is critical to our business and we strive to protect it, including by obtaining and maintaining patent protection in the United States and internationally for our technology platform, product candidates, novel biological discoveries, epitopes, new therapeutic approaches and potential indications, and other inventions that are important to our business. In total, our current patent portfolio, including patents to our technology platform licensed from MRC, consists of 28 issued patents and 32 pending patent applications as of June 30, 2015.

For our product candidates, generally we initially pursue patent protection covering compositions of matter, antibody sequence diversity, epitopes, functional activity and methods of use. Throughout the development of our product candidates, we seek to identify additional means of obtaining patent protection that would potentially enhance commercial success, including through additional methods of use and biomarker and companion diagnostic related claims.

The patent portfolios for our two internal programs and platform technology are outlined below:

ANB020

As of June 30, 2015, we own one international patent application, filed under the Patent Cooperation Treaty, or PCT, which is directed to the antibody sequence of ANB020 and its variants, epitopes, methods of use and related matters. We intend to prosecute the pending international application and pursue patent issuance and protection in key commercial markets where significant product sales may occur. Patents that may issue from this pending international application would provide protection until January 2035.

ANB019

As of June 30, 2015, we own one U.S. provisional patent application, which is directed to the antibody sequence of ANB019 and its variants, epitopes, methods of use and related matters. We intend to pursue an international patent application, filed under the PCT in due course, based on the pending U.S. provisional patent application, and pursue patent issuance and protection in key commercial markets where significant product sales may occur. Patents that may issue from the expected international application would provide protection until April 2036.

Platform Technology

Our platform technology is covered by U.S. and foreign issued patents and pending patent applications, emanating from our in-licensed portfolio and wholly owned portfolio, currently under prosecution in various jurisdictions.

Our wholly owned portfolio includes patents and patent applications directed to platform technology related inventions associated with antibody library design, antibody humanization, mammalian cell display and secretion, and other technical attributes relating to the discovery, maturation and optimization of antibodies using our technology platform. Patents relating to our platform technology that have been issued to date provide protection through 2028.

The patent positions of biotechnology companies like ours are generally uncertain and involve complex legal, scientific and factual questions. In addition, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Consequently, we may not obtain or maintain adequate patent protection for any of our product candidates or for our technology platform. We cannot predict whether the patent applications we are currently pursuing will issue as patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient proprietary protection from competitors. Any patents that we hold may be challenged, circumvented or invalidated by third parties. For a more comprehensive discussion of the risks related to our intellectual property, please see “Risk Factors—Risks Related to Our Intellectual Property.”

The term of individual patents depends upon the legal term of the patents in the countries in which they are obtained. In most countries in which we file, the patent term is 20 years from the earliest date of filing a non-provisional patent application related to the patent. A U.S. patent also may be accorded a PTA under certain circumstances to compensate for delays in obtaining the patent from the USPTO. In some instances, such a PTA may result in a U.S. patent term extending beyond 20 years from the earliest date of filing a non-provisional patent application related to the U.S. patent. In addition, in the United States, the term of a U.S. patent that covers an FDA-approved drug may also be eligible for patent term extension, which permits patent term restoration as compensation for the patent term lost during the FDA regulatory review process. The Hatch-Waxman Act permits a patent term extension of up to five years beyond the expiration of the patent. The length of the patent term extension is related to the length of time the drug is under regulatory review. Patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved drug may be extended. Similar provisions are available in Europe and other foreign jurisdictions to extend the term of a patent that covers an approved drug. In the future, if and when our products receive FDA approval, we expect to apply for patent term extensions on patents covering those products. We plan to seek patent term extensions to any of our issued patents in any jurisdiction where these are available, however there is no guarantee that the applicable authorities, including the FDA in the United States, will agree with our assessment of whether such extensions should be granted, and if granted, the length of such extensions.

We also rely on trade secrets relating to our technology platform and product candidates and seek to protect and maintain the confidentiality of proprietary information to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection. Although we take steps to protect our proprietary information and trade secrets, including through contractual means with our employees and consultants, third parties may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose our technology. Thus, we may not be able to meaningfully protect our trade secrets. It is our policy to require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information concerning our business or financial affairs developed or made known to the individual during the course of the individual’s relationship with us is to be kept confidential and not disclosed to third

parties except in specific circumstances. Our agreements with employees also provide that all inventions conceived by the employee in the course of employment with us or from the employee's use of our confidential information are our exclusive property.

Manufacturing

We must manufacture drug product for clinical trial use in compliance with cGMP. The cGMP regulations include requirements relating to organization of personnel, buildings and facilities, equipment, control of components and drug product containers and closures, production and process controls, packaging and labeling controls, holding and distribution, laboratory controls, records and reports, and returned or salvaged products. The manufacturing facilities for our product candidates must meet cGMP requirements and FDA satisfaction before any product is approved and we can manufacture commercial products. Our third-party manufacturers will also be subject to periodic inspections of facilities by the FDA and other authorities, including procedures and operations used in the testing and manufacture of our products to assess our compliance with applicable regulations.

Our internal manufacturing capabilities include non-cGMP antibody and reagent production using small scale quantities for characterization and *in vitro* and *in vivo* preclinical assessment of product candidates. We do not have and we do not currently plan to acquire or develop the facilities or capabilities to manufacture cGMP drug substance or filled drug product for use in human clinical trials.

We rely on third-party manufacturers to generate cGMP-grade cell lines and will rely on them to produce cGMP drug product required for our planned clinical trials, and expect to continue to rely on third parties to manufacture clinical trial drug supplies for the foreseeable future. We also contract with additional third parties for the filling, labeling, packaging, storage and distribution of investigational drug products. We have personnel with significant technical, manufacturing, analytical, quality, including cGMP, and project management experience to oversee our third-party manufacturers and to manage manufacturing and quality data and information for regulatory compliance purposes. While our contract manufacturers have not yet produced cGMP batches of our product candidates, they have previously produced batches for other companies in compliance with cGMP and have been previously inspected by regulatory authorities for compliance with cGMP standards. Similarly, our personnel have had experience with cGMP at previous positions.

Failure to comply with statutory and regulatory requirements subjects a manufacturer to possible legal or regulatory action, including warning letters, the seizure or recall of products, injunctions, consent decrees placing significant restrictions on or suspending manufacturing operations and civil and criminal penalties. These actions could have a material impact on the availability of our products. Contract manufacturers often encounter difficulties involving production yields, quality control and quality assurance, as well as shortages of qualified personnel.

Competition

The biotechnology and pharmaceutical industries are characterized by continuing technological advancement and significant competition. While we believe that our product candidates, technology, knowledge, experience and scientific resources provide us with competitive advantages, we face competition from major pharmaceutical and biotechnology companies, academic institutions, governmental agencies and public and private research institutions, among others. Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future. Key product features that would affect our ability to effectively compete with other therapeutics include the efficacy, safety and convenience of our products and the ease of use and effectiveness of any companion diagnostics. The level of generic competition and the availability of reimbursement from government and other third-party payors will also significantly affect the pricing and competitiveness of our products. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

Many of the companies against which we may compete have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. 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.

Specifically, there are several companies developing or marketing treatments that may be approved for the same indications and/or diseases as our lead product candidates, ANB019 and ANB020, including major pharmaceutical companies.

For asthma, our competitors include omalizumab (Xolair; Roche), which has received FDA approval and functions by inhibiting the binding between free IgE and FceRI; antibodies that bind IL-5 and inhibit its interaction with the IL-5 receptor such as mepolizumab (Glaxosmithkline), which a Federal Advisory Committee has recently recommended that the FDA approve for the add-on maintenance treatment in patients aged 18 years or older with severe eosinophilic asthma, and reslizumab (Teva), the BLA for which has been submitted to the FDA for approval; antibodies, such as benralizumab (AstraZeneca) that bind the IL-5 receptor; antibodies that bind to IL-13 such as lebrikizumab (Roche), tralokinumab (AstraZeneca) and anrukinzumab (Pfizer) which are in clinical testing; antibodies that bind the IL-4 receptor alpha chain such as dupilumab (Regeneron) and AMG317 (Amgen) each in clinical testing; and antibodies that bind the ST2 receptor including AMG282 (Amgen), which is in clinical testing.

For peanut allergy, our competitors include DBV Technologies, which is developing transdermal products for tolerization of food allergies, while Aimmune Therapeutics is developing oral products for peanut allergy desensitization. For GPP and PPP, our competitors include marketed therapies such as secukinumab (Cosentyx; Novartis) which binds IL-17A, ustekinumab (Stelara; Janssen) which blocks IL-12 and 23 cytokine function; and acitretin (Soriatane; Glaxosmithkline), as well as therapies in development such as guselkumab (Janssen) which blocks IL-23 cytokine function and gevokizumab (Xoma 052) which binds IL-1 beta.

Government Regulation and Product Approval

Government authorities in the United States, at the federal, state and local level, and in other countries and jurisdictions, including the European Union, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, post-approval monitoring and reporting, and import and export of pharmaceutical products. The processes for obtaining regulatory approvals in the United States and in foreign countries and jurisdictions, along with subsequent compliance with applicable statutes and regulations and other regulatory authorities, require the expenditure of substantial time and financial resources.

FDA approval process

In the United States, pharmaceutical products are subject to extensive regulation by the FDA. The Federal Food, Drug, and Cosmetic Act, or the FDC Act, and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of pharmaceutical products. Biological products used for the prevention, treatment, or cure of a disease or condition of a human being are subject to regulation under the FDC Act, except the section of the FDC Act which governs the approval of new drug applications, or NDAs. Biological products are approved for marketing under provisions of the Public Health Service Act, or PHSA, via a Biologics License Application, or BLA. However, the application process and requirements for approval of BLAs are similar to those for NDAs, and biologics are associated with similar approval risks and costs as drugs. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as clinical hold,

FDA refusal to approve pending NDAs or BLAs, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties, and criminal prosecution.

Biological product development for a new product or certain changes to an approved product in the United States typically involves preclinical laboratory and animal tests, the submission to the FDA of an IND, which must become effective before clinical testing may commence in the United States, and adequate and well- controlled clinical trials to establish the safety and effectiveness of the drug for each indication for which FDA approval is sought. Satisfaction of FDA pre-market approval requirements typically takes many years and the actual time required may vary substantially based upon the type, complexity, and novelty of the product or disease.

Preclinical tests include laboratory evaluation of product chemistry, formulation, and toxicity, as well as animal trials to assess the characteristics and potential safety and efficacy of the product. The conduct of the preclinical tests must comply with federal regulations and requirements, including good laboratory practices. The results of preclinical testing are submitted to the FDA as part of an IND along with other information, including information about product chemistry, manufacturing and controls, and a proposed clinical trial protocol. Long term preclinical tests, such as animal tests of reproductive toxicity and carcinogenicity, may continue after the IND is submitted. A 30-day waiting period after the submission of each IND is required prior to the commencement of clinical testing in humans. If the FDA has neither commented on nor questioned the IND within this 30-day period, the clinical trial proposed in the IND may begin. Clinical trials involve the administration of the investigational biologic to healthy volunteers or patients under the supervision of a qualified investigator. Clinical trials must be conducted: (i) in compliance with federal regulations; (ii) in compliance with good clinical practice, or GCP, an international standard meant to protect the rights and health of patients and to define the roles of clinical trial sponsors, administrators, and monitors; as well as (iii) under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. Each protocol involving testing on U.S. patients and subsequent protocol amendments must be submitted to the FDA as part of the IND.

The FDA may order the temporary, or permanent, discontinuation of a clinical trial at any time, or impose other sanctions if it believes that the clinical trial either is not being conducted in accordance with FDA requirements or presents an unacceptable risk to the clinical trial patients. The trial protocol and informed consent information for patients in clinical trials must also be submitted to an institutional review board, or IRB, for approval. An IRB may also require the clinical trial at the site to be halted, either temporarily or permanently, for failure to comply with the IRB’s requirements, or may impose other conditions.

Clinical trials to support BLAs for marketing approval are typically conducted in three sequential phases, but the phases may overlap. In Phase 1, the initial introduction of the biologic into healthy human subjects or patients, the product is tested to assess metabolism, pharmacokinetics, pharmacological actions, side effects associated with increasing doses, and, if possible, early evidence on effectiveness. Phase 2 usually involves trials in a limited patient population to determine the effectiveness of the drug or biologic for a particular indication, dosage tolerance, and optimal dosage, and to identify common adverse effects and safety risks. If a compound demonstrates evidence of effectiveness and an acceptable safety profile in Phase 2 evaluations, Phase 3 trials are undertaken to obtain the additional information about clinical efficacy and safety in a larger number of patients, typically at geographically dispersed clinical trial sites, to permit the FDA to evaluate the overall benefit risk relationship of the drug or biologic and to provide adequate information for the labeling of the product. In most cases, the FDA requires two adequate and well-controlled Phase 3 clinical trials to demonstrate the efficacy of the biologic. A single Phase 3 trial with other confirmatory evidence may be sufficient in rare instances where the trial is a large multicenter trial demonstrating internal consistency and a statistically persuasive finding of a clinically meaningful effect on mortality, irreversible morbidity or prevention of a disease with a potentially serious outcome and confirmation of the result in a second trial would be practically or ethically impossible.

After completion of the required clinical testing, a BLA is prepared and submitted to the FDA. FDA approval of the BLA is required before marketing of the product may begin in the United States. The BLA must include the results of all preclinical, clinical, and other testing and a compilation of data relating to the product's pharmacology, chemistry, manufacture, and controls. The cost of preparing and submitting a BLA is substantial. The submission of most BLAs is additionally subject to a substantial application user fee, and the applicant under an approved BLA is also subject to annual product and establishment user fees. These fees are typically increased annually. The FDA has 60 days from its receipt of a BLA to determine whether the application will be accepted for filing based on the agency's threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. The FDA has agreed to certain performance goals in the review of BLAs. Most such applications for standard review biologic products are reviewed within ten months of the date the FDA files the BLA; most applications for priority review biologics are reviewed within six months of the date the FDA files the BLA. Priority review can be applied to a biologic that the FDA determines has the potential to treat a serious or life-threatening condition and, if approved, would be a significant improvement in safety or effectiveness compared to available therapies. The review process for both standard and priority review may be extended by the FDA for three additional months to consider certain late-submitted information, or information intended to clarify information already provided in the submission.

The FDA may also refer applications for novel biologic products, or biologic products that present difficult questions of safety or efficacy, to an advisory committee—typically a panel that includes clinicians and other experts—for review, evaluation, and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. Before approving a BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Additionally, the FDA will inspect the facility or the facilities at which the biologic product is manufactured. The FDA will not approve the product unless compliance with current good manufacturing practice, or cGMP, is satisfactory and the BLA contains data that provide substantial evidence that the biologic is safe, pure, potent and effective in the indication studied.

After the FDA evaluates the BLA and the manufacturing facilities, it issues either an approval letter or a complete response letter. A complete response letter generally outlines the deficiencies in the submission and may require substantial additional testing, or information, in order for the FDA to reconsider the application. If, or when, those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the BLA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. An approval letter authorizes commercial marketing of the biologic with specific prescribing information for specific indications. As a condition of BLA approval, the FDA may require a REMS to help ensure that the benefits of the biologic outweigh the potential risks. REMS can include medication guides, communication plans for healthcare professionals, and elements to assure safe use, or ETASU. ETASU can include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. The requirement for a REMS can materially affect the potential market and profitability of the product. Moreover, product approval may require substantial post-approval testing and surveillance to monitor the product's safety or efficacy.

Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing. Changes to some of the conditions established in an approved application, including changes in indications, labeling, or manufacturing processes or facilities, require submission and FDA approval of a new BLA or BLA supplement before the change can be implemented. A BLA supplement for a new indication typically requires clinical data similar to that in the original application, and the FDA uses the same procedures and actions in reviewing BLA supplements as it does in reviewing BLAs.

Orphan drug designation

Under the Orphan Drug Act, the FDA may grant orphan drug designation to biological products intended to treat a rare disease or condition—generally a disease or condition that affects fewer than 200,000 individuals in the United States, or if it affects more than 200,000 individuals in the United States, there is no reasonable expectation that the cost of developing and making a product available in the United States for such disease or condition will be recovered from sales of the product.

Orphan drug designation must be requested before submitting a BLA. After the FDA grants orphan drug designation, the generic identity of the biological product and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. The first BLA applicant to receive FDA approval for a biological product containing a particular active moiety to treat a particular disease with FDA orphan drug designation is entitled to a seven-year exclusive marketing period in the United States for that product for that indication. During the seven-year exclusivity period, the FDA may not approve any other applications to market a biological product containing the same active moiety for the same disease, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity. A product is clinically superior if it is safer, more effective or makes a major contribution to patient care. Orphan drug exclusivity does not prevent the FDA from approving a different drug or biological product for the same disease or condition, or the same biological product for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the BLA user fee.

Disclosure of clinical trial information

Sponsors of clinical trials of FDA-regulated products, including biological products, are required to register and disclose certain clinical trial information. Information related to the product, patient population, phase of investigation, trial sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to discuss the results of their clinical trials after completion. Disclosure of the results of these trials can be delayed until the new product or new indication being studied has been approved. Competitors may use this publicly available information to gain knowledge regarding the progress of development programs.

Pediatric information

Under the Pediatric Research Equity Act, or PREA, NDAs or BLAs or supplements to NDAs or BLAs must contain data to assess the safety and effectiveness of the biological product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the biological product is safe and effective. The FDA may grant full or partial waivers, or deferrals, for submission of data. Unless otherwise required by regulation, PREA does not apply to any biological product for an indication for which orphan designation has been granted.

Additional controls for biologics

To help reduce the increased risk of the introduction of adventitious agents, the PHSA emphasizes the importance of manufacturing controls for products whose attributes cannot be precisely defined. The PHSA also provides authority to the FDA to immediately suspend licenses in situations where there exists a danger to public health, to prepare or procure products in the event of shortages and critical public health needs, and to authorize the creation and enforcement of regulations to prevent the introduction or spread of communicable diseases in the United States and between states.

After a BLA is approved, the product may also be subject to official lot release as a condition of approval. As part of the manufacturing process, the manufacturer is required to perform certain tests on each lot of the

product before it is released for distribution. If the product is subject to official release by the FDA, the manufacturer submits samples of each lot of product to the FDA together with a release protocol showing a summary of the history of manufacture of the lot and the results of all of the manufacturer's tests performed on the lot. The FDA may also perform certain confirmatory tests on lots of some products, such as viral vaccines, before releasing the lots for distribution by the manufacturer.

In addition, the FDA conducts laboratory research related to the regulatory standards on the safety, purity, potency, and effectiveness of biological products. As with drugs, after approval of biologics, manufacturers must address any safety issues that arise, are subject to recalls or a halt in manufacturing, and are subject to periodic inspection after approval.

Patent term restoration

After approval, owners of relevant drug or biologic patents may apply for up to a five year patent extension. The allowable patent term extension is calculated as half of the drug's testing phase—the time between IND application and NDA or BLA submission—and all of the review phase—the time between NDA or BLA submission and approval up to a maximum of five years. The time can be shortened if FDA determines that the applicant did not pursue approval with due diligence. The total patent term after the extension may not exceed 14 years.

For patents that might expire during the application phase, the patent owner may request an interim patent extension. An interim patent extension increases the patent term by one year and may be renewed up to four times. For each interim patent extension granted, the post-approval patent extension is reduced by one year. The director of the United States Patent and Trademark Office must determine that approval of the drug covered by the patent for which a patent extension is being sought is likely. Interim patent extensions are not available for a drug or biologic for which an NDA or BLA has not been submitted.

Biosimilars

The Biologics Price Competition and Innovation Act of 2009, or BPCIA, creates an abbreviated approval pathway for biological products shown to be highly similar to or interchangeable with an FDA licensed reference biological product. Biosimilarity sufficient to reference a prior FDA-approved product requires that there be no differences in conditions of use, route of administration, dosage form, and strength, and no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency. Biosimilarity must be shown through analytical trials, animal trials, and a clinical trial or trials, unless the Secretary of Health and Human Services waives a required element. A biosimilar product may be deemed interchangeable with a prior approved product if it meets the higher hurdle of demonstrating that it can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the biologic and the reference biologic may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic. On March 6, 2015, the FDA approved the first biosimilar product under the BPCIA. Complexities associated with the larger, and often more complex, structures of biological products, as well as the process by which such products are manufactured, pose significant hurdles to implementation, which is still being evaluated by the FDA.

A reference biologic is granted 12 years of exclusivity from the time of first licensure of the reference product, and no application for a biosimilar can be submitted for four years from the date of licensure of the reference product. The first biologic product submitted under the abbreviated approval pathway that is determined to be interchangeable with the reference product has exclusivity against a finding of interchangeability for other biologics for the same condition of use for the lesser of (i) one year after first commercial marketing of the first interchangeable biosimilar, (ii) 18 months after the first interchangeable biosimilar is approved if there is no patent challenge, (iii) 18 months after resolution of a lawsuit over the patents

of the reference biologic in favor of the first interchangeable biosimilar applicant, or (iv) 42 months after the first interchangeable biosimilar's application has been approved if a patent lawsuit is ongoing within the 42-month period.

Post-approval requirements

Once a BLA is approved, a product will be subject to certain post-approval requirements. For instance, the FDA closely regulates the post-approval marketing and promotion of biologics, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the internet. Biologics may be marketed only for the approved indications and in accordance with the provisions of the approved labeling.

Adverse event reporting and submission of periodic reports is required following FDA approval of a BLA. The FDA also may require post-marketing testing, known as Phase 4 testing, REMS, and surveillance to monitor the effects of an approved product, or the FDA may place conditions on an approval that could restrict the distribution or use of the product. In addition, quality control, biological product manufacture, packaging, and labeling procedures must continue to conform to cGMPs after approval. Biologic manufacturers and certain of their subcontractors are required to register their establishments with the FDA and certain state agencies. Registration with the FDA subjects entities to periodic unannounced inspections by the FDA, during which the agency inspects manufacturing facilities to assess compliance with cGMPs. Accordingly, manufacturers must continue to expend time, money, and effort in the areas of production and quality-control to maintain compliance with cGMPs. Regulatory authorities may withdraw product approvals or request product recalls if a company fails to comply with regulatory standards, if it encounters problems following initial marketing, or if previously unrecognized problems are subsequently discovered.

FDA regulation of companion diagnostics

If use of an *in vitro* diagnostic is essential to safe and effective use of a drug or biologic product, then the FDA generally will require approval or clearance of the diagnostic, known as a companion diagnostic, at the same time that the FDA approves the therapeutic product. The review of an *in vitro* companion diagnostic in conjunction with the review of a biologic involves coordination of review by the FDA's Center for Biologics Evaluation and Research and by the FDA's Center for Devices and Radiological Health. The PMA process, including the gathering of clinical and preclinical data and the submission to and review by the FDA, can take several years or longer. It involves a rigorous premarket review during which the applicant must prepare and provide the FDA with reasonable assurance of the device's safety and effectiveness and information about the device and its components regarding, among other things, device design, manufacturing and labeling. PMA applications are subject to an application fee, which exceeds $250,000 for most PMAs. In addition, PMAs for certain devices must generally include the results from extensive preclinical and adequate and well-controlled clinical trials to establish the safety and effectiveness of the device for each indication for which FDA approval is sought. In particular, for a diagnostic, the applicant must demonstrate that the diagnostic produces reproducible results when the same sample is tested multiple times by multiple users at multiple laboratories. As part of the PMA review, the FDA will typically inspect the manufacturer's facilities for compliance with the Quality System Regulation, or QSR, which imposes elaborate testing, control, documentation and other quality assurance requirements.

PMA approval is not guaranteed, and the FDA may ultimately respond to a PMA submission with a not approvable determination based on deficiencies in the application and require additional clinical trial or other data that may be expensive and time-consuming to generate and that can substantially delay approval. If the FDA's evaluation of the PMA application is favorable, the FDA typically issues an approvable letter requiring the applicant's agreement to specific conditions, such as changes in labeling, or specific additional information, such as submission of final labeling, in order to secure final approval of the PMA. If the FDA concludes that the applicable criteria have been met, the FDA will issue a PMA for the approved indications, which can be more

limited than those originally sought by the applicant. The PMA can include post-approval conditions that the FDA believes necessary to ensure the safety and effectiveness of the device, including, among other things, restrictions on labeling, promotion, sale and distribution.

After a device is placed on the market, it remains subject to significant regulatory requirements. Medical devices may be marketed only for the uses and indications for which they are cleared or approved. Device manufacturers must also establish registration and device listings with the FDA. A medical device manufacturer's manufacturing processes and those of its suppliers are required to comply with the applicable portions of the QSR, which cover the methods and documentation of the design, testing, production, processes, controls, quality assurance, labeling, packaging and shipping of medical devices. Domestic facility records and manufacturing processes are subject to periodic unscheduled inspections by the FDA. The FDA also may inspect foreign facilities that export products to the United States.

Other U.S. healthcare laws and compliance requirements

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including but not limited to, the Centers for Medicare and Medicaid Services, or CMS, other divisions of the U.S. Department of Health and Human Services (such as the Office of Inspector General), the U.S. Department of Justice, or DOJ, and individual U.S. Attorney offices within the DOJ, and state and local governments. For example, sales, marketing and scientific/educational grant programs may have to comply with the anti-fraud and abuse provisions of the Social Security Act, the false claims laws, the privacy and security provisions of the Health Insurance Portability and Accountability Act, or HIPAA, and similar state laws, each as amended, as applicable.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity, from knowingly and willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term remuneration has been interpreted broadly to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, and formulary managers on the other. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution. The exceptions and safe harbors are drawn narrowly and practices that involve remuneration that may be alleged to be intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Our practices may not in all cases meet all of the criteria for protection under a statutory exception or regulatory safe harbor.

Additionally, the intent standard under the Anti-Kickback Statute was amended by the Patient Protection and Affordable Care Act, or ACA, to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the ACA codified case law that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act (discussed below).

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

Federal false claims and false statement laws, including the federal False Claims Act, prohibit, among other things, any person or entity from knowingly presenting, or causing to be presented, a false or fraudulent claim for

payment to, or approval by, the federal healthcare programs, including Medicare and Medicaid, or knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. Recently, several pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies' marketing of the product for unapproved, and thus generally non-reimbursable, uses.

HIPAA created additional federal criminal statutes that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud or to obtain, by means of false or fraudulent pretenses, representations or promises, any money or property owned by, or under the control or custody of, any healthcare benefit program, including private third-party payors, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Like the Anti-Kickback Statute, the ACA amended the intent standard for certain healthcare fraud statutes under HIPAA such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Also, many states have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Additionally, to the extent that our product is sold in a foreign country, we may be subject to similar foreign laws.

We may be subject to data privacy and security regulations by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, imposes requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to business associates, independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA and seek attorneys' fees and costs associated with pursuing federal civil actions. In addition, many state laws govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Additionally, the federal Physician Payments Sunshine Act within the ACA, and its implementing regulations, require that certain manufacturers of drugs, devices, biological and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) report annually to CMS information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members. Moreover, the Drug Supply Chain Security Act imposes new obligations on manufacturers of pharmaceutical products related to product tracking and tracing. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products.

In order to distribute products commercially, we must comply with state laws that require the registration of manufacturers and wholesale distributors of drug and biological products in a state, including, in certain states, manufacturers and distributors who ship products into the state even if such manufacturers or distributors have no place of business within the state. Some states also impose requirements on manufacturers and distributors to

establish the pedigree of product in the chain of distribution, including some states that require manufacturers and others to adopt new technology capable of tracking and tracing product as it moves through the distribution chain. Several states have enacted legislation requiring pharmaceutical and biotechnology companies to establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities, and/or register their sales representatives, as well as to prohibit pharmacies and other healthcare entities from providing certain physician prescribing data to pharmaceutical and biotechnology companies for use in sales and marketing, and to prohibit certain other sales and marketing practices. All of our activities are potentially subject to federal and state consumer protection and unfair competition laws.

If our operations are found to be in violation of any of the federal and state healthcare laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including without limitation, civil, criminal and/or administrative penalties, damages, fines, disgorgement, exclusion from participation in government programs, such as Medicare and Medicaid, injunctions, private "qui tam" actions brought by individual whistleblowers in the name of the government, or refusal to allow us to enter into government contracts, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

Coverage, pricing and reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we obtain regulatory approval. In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend, in part, on the extent to which third-party payors provide coverage, and establish adequate reimbursement levels for such products. In the United States, third-party payors include federal and state healthcare programs, private managed care providers, health insurers and other organizations. The process for determining whether a third-party payor will provide coverage for a product may be separate from the process for setting the price of a product or for establishing the reimbursement rate that such a payor will pay for the product. Third-party payors may limit coverage to specific products on an approved list, also known as a formulary, which might not include all of the FDA-approved products for a particular indication. Third-party payors are increasingly challenging the price, examining the medical necessity and reviewing the cost-effectiveness of medical products, therapies and services, in addition to questioning their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, in addition to the costs required to obtain the FDA approvals. Our product candidates may not be considered medically necessary or cost-effective. A payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a product does not assure that other payors will also provide coverage for the product. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

Different pricing and reimbursement schemes exist in other countries. In the EU, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs has become intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

The marketability of any product candidates for which we receive regulatory approval for commercial sale may suffer if the government and third-party payors fail to provide adequate coverage and reimbursement. In

addition, emphasis on managed care in the United States has increased and we expect will continue to increase the pressure on healthcare pricing. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Healthcare reform

In March 2010, President Obama enacted the ACA, which has the potential to substantially change healthcare financing and delivery by both governmental and private insurers, and significantly impact the pharmaceutical and biotechnology industry.

Among the ACA provisions of importance to the pharmaceutical and biotechnology industries, in addition to those otherwise described above, are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain specified branded prescription drugs and biologic agents apportioned among these entities according to their market share in some government healthcare programs that began in 2011;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program, retroactive to January 1, 2010, to 23.1% and 13% of the average manufacturer price for most branded and generic drugs, respectively and capped the total rebate amount for innovator drugs at 100% of the Average Manufacturer Price, or AMP;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturers' outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals beginning in 2014 and by adding new mandatory eligibility categories for individuals with income at or below 133% of the federal poverty level, thereby potentially increasing manufacturers' Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- 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;
- requirements to report certain financial arrangements with physicians and teaching hospitals; and
- a requirement to annually report certain information regarding drug samples that manufacturers and distributors provide to physicians.

We anticipate that the ACA will result in additional downward pressure on coverage and the price that we receive for any approved product, and could seriously harm our business. Any reduction in reimbursement from Medicare and other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to

generate revenue, attain profitability, or commercialize our products. Such reforms could have an adverse effect on anticipated revenues from product candidates that we may successfully develop and for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop product candidates. In addition, it is possible that there will be further legislation or regulation that could harm our business, financial condition and results of operations.

For example, in August 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee on Deficit Reduction did not achieve a targeted deficit reduction of at least $1.2 trillion for fiscal years 2012 through 2021, triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect beginning on April 1, 2013 and will stay in effect through 2024 unless additional Congressional action is taken. Additionally, in January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, reduced Medicare payments to several providers, including hospitals and imaging centers. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on customers for our drugs, if approved, and, accordingly, our financial operations.

The Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with accounting provisions requiring us to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Additional regulation

In addition to the foregoing, state and federal laws regarding environmental protection and hazardous substances, including the Occupational Safety and Health Act, the Resource Conservancy and Recovery Act and the Toxic Substances Control Act, affect our business. These and other laws govern our use, handling and disposal of various biological, chemical and radioactive substances used in, and wastes generated by, our operations. If our operations result in contamination of the environment or expose individuals to hazardous substances, we could be liable for damages and governmental fines. We believe that we are in material compliance with applicable environmental laws and that continued compliance therewith will not have a material adverse effect on our business. We cannot predict, however, how changes in these laws may affect our future operations.

Europe / rest of world government regulation

In addition to regulations in the United States, we will be subject to a variety of regulations in other jurisdictions governing, among other things, clinical trials and any commercial sales and distribution of our products. Whether or not we obtain FDA approval of a product, we must obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical trials or marketing of the product in those countries. Certain countries outside of the United States have a similar process that requires the submission of a clinical trial application much like the IND prior to the commencement of human clinical trials. In the EU, for example, a clinical trial application must be submitted to each country's national health authority and an independent ethics committee, much like the FDA and IRB, respectively. Once the clinical trial application is approved in accordance with a country's requirements, clinical trial development may proceed. Because biologically sourced raw materials are subject to unique contamination risks, their use may be restricted

in some countries. The requirements and process governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, the clinical trials are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

To obtain regulatory approval of an investigational drug or biological product under EU regulatory systems, we must submit a marketing authorization application. The application used to file the BLA in the United States is similar to that required in the EU, with the exception of, among other things, country-specific document requirements. For other countries outside of the EU, such as countries in Eastern Europe, Latin America or Asia, the requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, again, the clinical trials are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

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

Australia

Conducting clinical trials for product candidates in Australia is subject to regulation by Australian governmental entities. Approval for inclusion in the Australian Register of Therapeutic Goods is required before a pharmaceutical drug product may be marketed in Australia. This process generally involves:

- Completion of preclinical laboratory and animal testing;
- Submission to the Therapeutics Goods Administration, or TGA, of a clinical trial notification, or CTN, application for human trials;
- In the case of a CTN, submission of, an investigator's brochure, clinical protocols, related patient information and supporting documentation to the Human Research Ethics Committee, or HREC, of each institution at which the trial is to be conducted;
- Adequate and well-controlled clinical trials to demonstrate the safety and efficacy of the product;
- Compilation of evidence which demonstrates that the manufacture of the product complies with the principles of cGMP; and
- Submission of the manufacturing and clinical data to, and approval by, the Drug Safety and Evaluation Branch of the TGA.

Preclinical studies include laboratory evaluation of the product as well as animal studies to assess the potential safety and efficacy of the product. The results of the preclinical studies are submitted to each investigator's HREC and in some instances, to the TGA. Approval by each HREC and by the TGA is generally necessary before clinical trials can commence. An HREC is an independent review committee at each institution at which a study is conducted and is set up under guidelines of the Australian National Health and Medical Research Council. The role of an HREC is to ensure the protection of rights, safety, and wellbeing of human subjects involved in a clinical trial by, among other things, reviewing, approving, and providing continuing review of trial protocols and amendments, and of the methods and material to be used in obtaining and documenting informed consent of the trial subjects.

Clinical trials involve administering the investigational product to healthy volunteers or patients under the supervision of a qualified principal investigator. The TGA has developed guidelines for a CTN and a CTX, the two routes for conducting clinical trials in Australia. Under the CTN scheme, all material relating to the proposed trial is submitted directly to the HREC. The TGA is formally notified by submission of a CTN application but does not review the safety of the drug or any aspect of the proposed trial. The HREC is responsible for approving

the protocol for the clinical trial. The approving authority of each institution gives the final approval for the conduct of the clinical trial, having due regard to advice from the HREC. Following approval, responsibility for all aspects of the trial conducted under a CTN application remains with the HREC of each investigator's institution and with us. The role of the TGA is primarily to assess safety issues. The role of the HREC is to consider the scientific and ethical issues of the proposed clinical trial protocols.

Other regulations

We are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with such laws and regulations now or in the future.

Employees

As of July 31, 2015, we had 44 full-time employees and one part-time employee. Of these employees, 34 were primarily engaged in research and development activities and nine have an M.D. or a Ph.D. None of our employees are represented by a labor union or covered by collective bargaining agreements, and we believe our relationship with our employees is good.

Properties and Facilities

Our principal executive office is located in San Diego, California, and consists of approximately 25,000 square feet of leased office and laboratory space under a lease that expires on August 31, 2016. We use these facilities for our administrative, research and development and other activities.

We believe that our facilities are adequate to meet our needs for the foreseeable future.

Legal Proceedings

From time to time, we may be involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, in the opinion of management, would have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity and reputational harm, and other factors.

MANAGEMENT

Executive Officers and Directors

The following table provides information regarding our executive officers and directors as of July 15, 2015:

Name	Age	Position
Executive Officers:		
Hamza Suria.	38	President, Chief Executive Officer and Director
Marco Londei, M.D.	59	Chief Development Officer
Robert E. Hoffman	49	Chief Financial Officer
Non-Employee Directors:		
Tiba Aynechi, Ph.D.*	39	Director
Carol G. Gallagher, Pharm.D.	51	Director
Nicholas B. Lydon, Ph.D., FRS	58	Director
Hollings Renton	68	Director
John P. Schmid	52	Director
James N. Topper, M.D., Ph.D.	53	Director

* Dr. Aynechi has notified us that she will resign from our board of directors contingent upon and effective immediately prior to the effectiveness of the registration statement of which this prospectus forms a part.

Executive Officers

Hamza Suria has served as our President and Chief Executive Officer and a member of our board of directors since July 2011. From January 2009 to June 2011 Mr. Suria served as Vice President of Corporate Development. Before joining our company in December 2008, Mr. Suria worked at Maxygen, Inc., a biopharmaceutical company, where he was responsible for partnering and alliance management of next-generation protein therapeutics in oncology supportive care, hematology and autoimmunity, including partnerships with healthcare and pharmaceutical companies, such as Roche, Sanofi S.A., Bayer Corporation and Astellas Pharma. Mr. Suria received his M.S. in immunology from the University of Western Ontario, his Executive M.B.A. from the Richard Ivey School of Business of the University of Western Ontario and his B.S. in biochemistry from Kalamazoo College.

We believe that Mr. Suria's thorough knowledge of our company and technology, and his scientific and business experience, provide him with the qualifications and skills to serve on our board of directors.

Marco Londei, M.D. has served as our Chief Development Officer since October 2014. Before joining our company, Dr. Londei worked as Therapeutic Area Head Immunosciences, at Bristol-Myers Squibb, a biopharmaceutical company, from November 2012 to September 2014. Before starting at Bristol-Myers Squibb, Dr. Londei served as Global Head Translational Medicine of the Autoimmunity, Transplantation & Inflammation Department at Novartis AG and Translational Science Officer at the Genomics Institute of the Novartis Research Foundation from October 2005 to October 2012. Dr. Londei was Professor at the Kennedy Institute of Rheumatology, Imperial College School of Medicine, London, from July 1999 to July 2003 and then Professor and head of the gastroenterology unit at University College London, Medical School UK, from July 2003 through September 2007. Dr. Londei received his M.D. from Università di Bologna.

Robert E. Hoffman has served as our Chief Financial Officer since July 2015. Before joining our company, Mr. Hoffman served as Senior Vice President, Finance and Chief Financial Officer of Arena Pharmaceuticals, Inc., a biopharmaceutical company, from June 2012 to July 2015, as Vice President, Finance and Chief Financial Officer from August 2011 to June 2012 and December 2005 to March 2011. From March 2011 to August 2011,

Mr. Hoffman served as Chief Financial Officer for Polaris Group, a biopharmaceutical drug company. Mr. Hoffman is a member of the board of directors of CombiMatrix Corporation, a molecular diagnostics company, Kura Oncology, Inc., a biotechnology company, and MabVax Therapeutics Holdings, Inc., a biopharmaceutical company. He also serves as a member of the Financial Accounting Standards Board's Small Business Advisory Committee and the steering committee of the Association of Bioscience Financial Officers. Mr. Hoffman received his B.B.A. from St. Bonaventure University, and is licensed as a C.P.A. (inactive) in the State of California.

Non-Employee Directors

Tiba Aynechi, Ph.D. has served as a member of our board of directors since April 2015. Dr. Aynechi is employed as a Partner at Novo Ventures (US) Inc., which provides certain consultancy services to Novo A/S, a Danish limited liability company that manages investments and financial assets. Prior to joining Novo Ventures (US) Inc. in March 2010, Dr. Aynechi was employed from June 2006 to March 2010 by Burrill & Company, a private financial firm specializing in biotechnology and life sciences investment, in various positions, including from January 2009 to March 2010 as a Director in Merchant Banking where she was responsible for regional and cross-border mergers and acquisitions, licensing, and financing transactions. Dr. Aynechi has served as a member of the board of directors of several private biotechnology and medical device companies. Dr. Aynechi received her Ph.D. in biophysics from the University of California, San Francisco, where her research involved developing computational methods for drug discovery. She received her B.S. in physics from the University of California, Irvine.

We believe that Dr. Aynechi's extensive experience in the biotechnology and pharmaceutical industries, makes her qualified to serve on our own board of directors.

Carol G. Gallagher, Pharm.D. has served as a member of our board of directors since October 2011. Dr. Gallagher has been a partner at New Enterprise Associates, a venture-capital firm, since October 2014. She has served as a director at Atara Biotherapeutics, Inc., a public biopharmaceutical company, since February 2013 and she became lead director in October 2014. She has also served as a director at Atterocor, Inc. since October 2012, as chairperson of the board of directors of eFFECTOR Therapeutics, Inc. from October 2012 to 2014 and as a director of Aragon Pharmaceuticals, Inc. from February 2012 to July 2013. Dr. Gallagher was a venture partner with Frazier Healthcare, a venture-capital firm, from November 2013 to July 2014. Dr. Gallagher served as the President and Chief Executive Officer of Calistoga Pharmaceuticals, a biopharmaceutical company, from September 2008 to April 2011, when the company was acquired by Gilead Sciences. From 2007 to 2008, Dr. Gallagher was the President and Chief Executive Officer of Metastatix, Inc., a biopharmaceutical company. Dr. Gallagher attended Vanderbilt University and received her B.S. and Pharm.D. degrees from the University of Kentucky.

We believe that Dr. Gallagher's extensive experience in the life sciences industry and as a chief executive officer provide her with the qualifications and skills to serve on our board of directors.

Nicholas B. Lydon, Ph.D., FRS is a co-founder of our company and has served on our board of directors since our company was founded in November 2005. Dr. Lydon also co-founded and has served on the board of directors of BluePrint Medicines Inc. since April 2011. Since 2011, Dr. Lydon has served as Managing Member at Staurus Pharma, LLC, a biotechnology company. Dr. Lydon is also the founder of Granite Biopharma LLC, a consulting company, and has served as sole member of Granite Biopharma since 2003. Dr. Lydon also previously served as Vice President, Small Molecule Drug Discovery at Amgen Inc. from 2000 to 2002. Prior to joining Amgen, he was the Chief Executive Officer and founder of Kinetix Pharmaceuticals, Inc., a biotechnology company focused on the discovery and development of selective protein kinase inhibitors, from 1997 to 2000. Kinetix Pharmaceuticals was acquired by Amgen in 2000. Prior to joining Kinetix, Dr. Lydon worked at CIBA-GEIGY, AG (Novartis) in Basel, Switzerland from 1985 to 1997, where he was responsible for the protein kinase inhibitor program, including the discovery and preclinical development of Imatinib (Gleevec). Dr. Lydon began his pharmaceutical career at Schering-Plough Corporation from 1982 to 1985 where his research involved studies on recombinant interferons. Dr. Lydon has been awarded the Lasker~DeBakey Clinical Medical Research Award and the Japan Prize for his work on Imatinib. Other awards include the Warren Alpert Foundation Prize, the AACR Bruce F. Cain Memorial

Award and the Charles F. Kettering Prize from the General Motors Cancer Research Foundation. Dr. Lydon earned his B.S. in Biochemistry and Zoology from the University of Leeds, England, and received his Ph.D. in Biochemistry from the Medical Sciences Institute, University of Dundee, Scotland.

We believe that Dr. Lydon's extensive industry experience and significant knowledge of scientific matters provide him with the qualifications and skills to serve on our board of directors.

Hollings Renton has served as a member of our board of directors since June 2015. Mr. Renton previously served as the Chief Executive Officer and President of Onyx Pharmaceuticals, Inc. from 1993 to 2008 and as the chairperson of the board of directors from 2000 to 2008. Before joining Onyx Pharmaceuticals, Mr. Renton worked for Chiron Corporation, a pharmaceutical company, as President and Chief Operating Officer from 1991 to 1993, following its acquisition of Cetus Corporation. Before joining Onyx Pharmaceuticals, Mr. Renton worked for Cetus Corporation as President from 1990 to 1991, as Chief Operating Officer from 1987 to 1990, and as Chief Financial Officer from 1983 to 1987. Mr. Renton currently serves as a director of multiple life sciences companies, including as chairperson of the board of directors of Portola Pharmaceuticals, Inc., and is a member of the board of directors of Cepheid Inc. and Kythera Biopharmaceuticals, Inc. He previously served on the boards of directors of Rigel Pharmaceuticals, Inc., Affymax Inc., Sangstat Medical Corporation, Special Olympics Northern California and the Biotechnology Industry Organization. Mr. Renton received his M.B.A. from the University of Michigan and his B.S. in Mathematics from Colorado State University.

We believe that Mr. Renton's extensive industry experience and board memberships provide him with the qualifications and skills to serve on our board of directors.

John P. Schmid has served as a member of our board of directors since June 2015. Mr. Schmid served as Chief Financial Officer of Auspex Pharmaceuticals, Inc. from September 2013 to June 2015. Before joining Auspex Pharmaceuticals, Mr. Schmid co-founded Trius Therapeutics, Inc., a publicly traded biopharmaceutical company, where he served as the Chief Financial Officer from June 2004 until its merger with Cubist Pharmaceuticals, Inc., in September 2013. Before he joined Trius Therapeutics, Inc., Mr. Schmid served as the Chief Financial Officer at GeneFormatics, Inc., a private biotechnology company, from 1998 to 2003, and at Endonetics, Inc., a private medical device company, from 1995 to 1998. Mr. Schmid currently serves a member of the board of directors of Neos Therapeutics, Inc., a pharmaceutical company, and as the chairman of the board of directors of Speak, Inc., a speakers bureau, which he helped found in 1989. Mr. Schmid received his M.B.A. from the University of San Diego and B.A. from Wesleyan University.

We believe that Mr. Schmid's extensive industry experience and executive positions at multiple biopharmaceutical companies qualify him to serve on our board of directors.

James N. Topper, M.D., Ph.D. has served as a member of our board of directors since November 2007. Dr. Topper has been a partner with Frazier Healthcare since August 2003, serving as General Partner since 2005. Before joining Frazier Healthcare, Dr. Topper served as head of the Cardiovascular Research and Development Division of Millennium Pharmaceuticals, Inc. and ran Millennium San Francisco (formerly COR Therapeutics, Inc.) from 2002 until 2003. Before the merger of COR and Millennium in 2002, Dr. Topper served as the Vice President of Biology at COR from August 1999 to February 2002. Dr. Topper has served on numerous boards of directors, including Amicus Therapeutics, Inc. and Portola Pharmaceuticals, Inc. Dr. Topper received his M.D. and Ph.D. in biophysics from Stanford University and his B.S. in biology from the University of Michigan.

We believe that Dr. Topper's experience overseeing Frazier Healthcare investments in biotechnology, senior-management experience in our industry, significant knowledge of medical and scientific matters affecting our business, and understanding of our industry provide him with the qualifications and skills to serve on our board of directors.

Election of Officers

Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

Code of Business Conduct and Ethics

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior officers. The full text of our code of conduct will be posted on the investor relations section of our website. The reference to our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus. We intend to disclose future amendments to certain provisions of our code of conduct, or waivers of these provisions, on our website or in public filings.

Board Composition

Our business and affairs are organized under the direction of our board of directors, which currently consists of seven members. Our current certificate of incorporation and a voting agreement by and among us and certain of our investors provide for up to seven directors, of which (i) up to two directors are designated by holders of our Series B, Series B-1 and Series B-2 Preferred Stock, voting together as a single class on an as-converted basis, (ii) one director is designed by holders of our common stock, voting as a separate class and (iii) all remaining directors are designated by the holders of our common stock and convertible preferred stock, voting together as a single class on an as-converted basis. Drs. Aynechi and Topper are the current designees of holders of our Series B, Series B-1 and Series B-2 convertible preferred stock, voting together as a single class on an as-converted basis. Mr. Suria is the current designee of holders of our common stock. Dr. Gallagher, Dr. Lydon, Mr. Renton and Mr. Schmid are the current designees of holders of our common stock and convertible preferred stock, voting together as a single class on an as-converted basis.

The voting agreement and the provisions of our certificate of incorporation that govern the election and designation of our directors will terminate in connection with our initial public offering, after which no contractual obligations will concern the election of our directors. Each of our current directors will continue to serve until the election and qualification of his or her successor, or until his or her earlier death, resignation or removal.

Classified Board of Directors

Immediately prior to this offering, our board of directors will be divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be subject to re-election for a three-year term. As a result, 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. 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 2016;
- the Class II directors will be and and their terms will expire at the annual meeting of stockholders to be held in 2017; and
- the Class III directors will be and and their terms will expire at the annual meeting of stockholders to be held in 2018.

Each director’s term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Our restated certificate of incorporation and restated bylaws that will be in effect upon the closing of this offering authorize only our board of directors to fill vacancies on our board of directors. Any increase or decrease 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. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company. See “Description of Capital Stock—Anti-Takeover Provisions—Restated Certificate of Incorporation and Restated Bylaw Provisions.”

Director Independence

In connection with this offering, we intend to list our common stock on the NASDAQ Global Market. Under the rules of the NADAQ Stock Market, or NASDAQ, independent directors must comprise a majority of a listed company's board of directors within a specified period of the closing of this offering. In addition, the rules of NASDAQ require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under the rules of NASDAQ, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: (1) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries. We intend to satisfy the audit committee independence requirements of Rule 10A-3 as of the closing of this initial public offering. Additionally, compensation committee members must not have a relationship with us that is material to the director's ability to be independent from management in connection with the duties of a compensation committee member.

Our board of directors has undertaken a review of the independence of each director and considered whether each director has a material relationship with us that could compromise his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, our board of directors determined that , representing of our seven directors, are "independent directors" as defined under the applicable rules and regulations of the Securities and Exchange Commission, or SEC, and the listing requirements and rules of NASDAQ.

Committees of the Board of Directors

Our board of directors has an audit committee, a compensation committee and a nominating and corporate governance committee, each of which will have the composition and responsibilities described below as of the closing of our initial public offering. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

Our audit committee is comprised of , and . is the chairman of our audit committee. The composition of our audit committee meets the requirements for independence under the current NASDAQ and SEC rules and regulations. In addition, our board of directors has determined that is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Act. This designation does not impose on him any duties, obligations or liabilities that are greater than are generally imposed on members of our audit committee and our board of directors. Our audit committee is directly responsible for, among other things:

- selecting a firm to serve as the independent registered public accounting firm to audit our financial statements;
- ensuring the independence of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and that firm, our interim and year-end operating results;
- establishing procedures for employees to anonymously submit concerns about questionable accounting or audit matters;

- considering the adequacy of our internal controls and internal audit function;
- reviewing material related party transactions or those that require disclosure; and
- approving or, as permitted, pre-approving all audit and non-audit services to be performed by the independent registered public accounting firm.

Compensation Committee

Our compensation committee is comprised of , and . is the chairperson of our compensation committee. Each member of this committee is a non-employee director, as defined by Rule 16b-3 promulgated under the Exchange Act, and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1984, as amended, or the Code, and meets the requirements for independence under the current NASDAQ listing standards and SEC rules and regulations. Our compensation committee is responsible for, among other things:

- reviewing and approving, or recommending that our board of directors approve, the compensation of our executive officers;
- reviewing and recommending to our board of directors the compensation of our directors;
- reviewing and recommending to our board of directors the terms of any compensatory agreements with our executive officers;
- administering our stock and equity incentive plans;
- reviewing and approving, or making recommendations to our board of directors with respect to, incentive compensation and equity plans;
- reviewing our overall compensation philosophy;
- oversight of risks related to compensation of our directors; and
- evaluating the risk-taking incentives, if any, and risk management of our compensation policies and practices.

Nominating and Governance Committee

Our nominating and governance committee is comprised of and . is the chairman of our nominating and governance committee. Each member of the Committee meets the requirements for independence under the current NASDAQ listing standards. Our nominating and governance committee is responsible for, among other things:

- identifying and recommending candidates for membership on our board of directors;
- recommending directors to serve on board committees;
- reviewing and recommending our corporate governance guidelines and policies;
- reviewing proposed waivers of the code of conduct for directors and executive officers;
- evaluating, and overseeing the process of evaluating, the performance of our board of directors and individual directors; and
- assisting our board of directors on corporate governance matters.

Compensation Committee Interlocks and Insider Participation

None of our executive officers has served as a member of our board of directors, or as a member of our compensation or similar committee, of any entity that has one or more executive officers who served on our

board of directors or compensation committee during the year ended December 31, 2014. Prior to establishing the compensation committee, our full board of directors made decisions relating to the compensation of our officers. For a description of transactions between us and members of our compensation committee and affiliates of such members, please see "Certain Relationships and Related Party Transactions."

Non-Employee Director Compensation

The following table presents the total compensation earned or paid in the year ended December 31, 2014, for each member of our board of directors, except for our President and Chief Executive Officer, Mr. Suria, who receives no additional compensation for his service as a director. Other than as described below, none of our non-employee directors received any fees or reimbursement of any expenses (other than customary expenses in connection with the attendance of meetings of our board of directors) or any equity or non-equity awards in the year ended December 31, 2014.

Name	Fees Earned or Paid in Cash ($)(1)	Option Awards(2)(3)(4) ($)	All Other Compensation(5) ($)	Total ($)
Carol G. Gallagher, Pharm.D.	$ 50,000	—	—	$50,000
Nicholas B. Lydon, Ph.D., FRS	$ —	$ 35,454	$ 50,000	$85,454

(1) Dr. Gallagher was paid a $50,000 annual retainer fee.

(2) Dr. Lydon was granted an early-exercisable stock-option award on July 11, 2014 under our 2006 Equity Incentive Plan to purchase up to 239,000 shares of our common stock at a per-share price of $0.10. 1/4 of the shares underlying the option vest on January 1, 2015, and, thereafter, 1/48 of the underlying shares vest on the first day of each succeeding calendar month, starting February 1, 2015.

(3) The amount reported in this column represents the aggregate grant date fair value of stock options as computed in accordance with FASB ASC Topic 718. The amounts reported in this column reflect the accounting cost for these stock options, and do not correspond to the actual economic value that may be received by the non-employee directors from the awards. The assumptions used in calculating the grant date fair value of the stock options reported in this column are set forth in Note 8 to our financial statements.

(4) The following table sets forth information on stock options granted to non-employee directors in 2014 and the aggregate number of shares of our common stock subject to outstanding stock options held by our non-employee directors as of December 31, 2014:

(5) Granite Biopharma, LLC was paid $50,000 pursuant to a Therapeutic Advisory Agreement entered into on April 1, 2014 between Granite Biopharma, LLC and us. Dr. Lydon is the sole member of Granite Biopharma, LLC.

Director Name	Number of Shares Underlying Stock Options Granted in 2014	Number of Shares Underlying Stock Options Held as of December 31, 2014
Carol G. Gallagher, Pharm.D.	—	684,057
Nicholas B. Lydon, Ph.D., FRS	239,000	478,420

EXECUTIVE COMPENSATION

The following tables and accompanying narrative disclosure set forth information about the compensation provided to our executive officers during the year ended December 31, 2014. These executive officers, who include our principal executive officer and the two most highly-compensated executive officers (other than our principal executive officer) who were serving as executive officers as of December 31, 2014, the end of our last completed fiscal year, were:

- Hamza Suria, President, Chief Executive Officer and Director;
- David King, our former Chief Scientific Officer; and
- Marco Londei, Chief Development Officer.

We refer to these individuals in this section as our "named executive officers."

Summary Compensation Table

The following table presents summary information regarding the total compensation for services rendered in all capacities that was awarded to and earned by our named executive officers during the year ended December 31, 2014.

Name and Principal Position	Fiscal Year	Salary	Bonus(1)	Option Awards(2)	All Other Compensation	Total
Hamza Suria *President and Chief Executive Officer*	2014	$ 326,759	$ 166,000	$ 53,831	$ —	$ 546,590
David King, Ph.D.(3) *Former Chief Scientific Officer*	2014	$ 297,413	$ 60,000	$ —	$ —	$ 357,413
Marco Londei, M.D.(4) *Chief Development Officer*	2014	$ 66,410	$ 16,541	$ 167,147	$ 28,657(5)	$ 278,755

(1) The amounts reported in this column represent bonuses awarded at the discretion of our board of directors.

(2) The amounts reported in this column represent the aggregate grant-date fair value of the awards granted under our 2006 Equity Incentive Plan to our named executive officers during the year ended December 31, 2014, as computed in accordance with FASB ASC Topic 718. The assumptions used in calculating the grant date fair value of the awards reported in the Stock Option Awards column are set forth in Note 8 to our financial statements. Note that the amounts reported in this column reflect the aggregate accounting cost for these awards, and do not necessarily correspond to the actual economic value that may be received by the named executive officers from the awards.

(3) Dr. King's employment as our Chief Scientific Officer terminated as of April 30, 2015.

(4) Reflects Dr. Londei's salary from the commencement of his employment on September 26, 2014, through December 31, 2014.

(5) Reflects reimbursements paid to, or on behalf of, Dr. Londei during the year ended December 31, 2014, consisting of (a) $28,011 for temporary housing and moving expenses, including tax gross-up with respect to temporary housing payments and (b) $646 for travel expenses.

Employment Agreements

The initial terms and conditions of employment of each of Mr. Suria and Drs. Londei and King were set forth in written employment agreements. Each of these arrangements was approved by our board of directors. We believed these employment agreements were necessary to induce these individuals to forego other employment opportunities or leave their current employer for the uncertainty of a demanding position in a new and unfamiliar organization.

Mr. Suria's Employment Agreement

Pursuant to an employment agreement effective as of January 1, 2012 and amended October 9, 2012 and September 16, 2014, or collectively the Suria Employment Agreement, Mr. Suria serves as our President and Chief Executive Officer. The Suria Employment Agreement sets forth the principal terms and conditions of his employment, including his initial annual base salary of $285,000 and an annual target cash bonus opportunity of 25% of his base salary, subject to pro rata adjustment for any partial years worked, which bonus is earned based on our achievement of specified milestones and performance objectives, as well as Mr. Suria's performance relative to one or more performance objectives established by Mr. Suria, our compensation committee and our board of directors, the achievement of which is evaluated by us. The Suria Employment Agreement provided for the grant of a time-based stock option to purchase up to 1,499,684 shares of our common stock under our 2006 Equity Incentive Plan. The Suria Employment Agreement also provided for the grant of a performance-based stock option to purchase up to 684,056 shares of our common stock under our 2006 Equity Incentive Plan, all of which would vest immediately in the event of a change of control or qualified initial public offering. These options were granted with an exercise price equal to the fair value of our common stock on the date of grant and vest over four years as described in more detail in "—Outstanding Equity Awards at Fiscal Year-End Table" below. Mr. Suria's employment is at will and may be terminated at any time, with or without cause. However, pursuant to the terms of the Suria Employment Agreement, Mr. Suria will be entitled to severance benefits upon a qualifying termination of employment as described in "—Potential Payments upon IPO, Termination or Change in Control" below.

Dr. King's Employment Agreement

Pursuant to an Employment Agreement effective as of January 1, 2012 and amended October 4, 2012, or collectively the King Employment Agreement, Dr. King served as our Chief Scientific Officer until April 30, 2015. Effective on May 1, 2015, Dr. King joined our Scientific Advisory Board as a consultant pursuant to a consulting agreement dated May 1, 2015, or the King Consulting Agreement. The King Consulting Agreement sets forth the principal terms and conditions of his consulting position and provides that as compensation for his services, all of Dr. King's options will continue to vest during his term as a consultant.

Because Dr. King remained an employee as of December 31, 2014, we are including a description of the King Employment Agreement even though it is no longer in effect. The King Employment Agreement set forth the principal terms and conditions of his employment, including his initial annual base salary of $275,000 and an annual target cash bonus opportunity of 20% of his base salary, subject to pro rata adjustment for any partial years worked, which bonus is earned based on our achievement of specified milestones and performance objectives, as well as Dr. King's performance relative to one or more performance objectives established by Dr. King, our compensation committee and our board of directors, the achievement of which is evaluated by us. Dr. King's employment was at will and could be terminated at any time, with or without cause. However, pursuant to the terms of the King Employment Agreement, Dr. King was entitled to severance benefits upon a qualifying termination of employment as described in "—Potential Payments upon IPO, Termination or Change in Control" below. Dr. King received 9 months of severance benefits upon his termination under the King Employment Agreement.

Dr. Londei's Employment Agreement

Pursuant to an employment agreement effective as of October 20, 2014, or the Londei Employment Agreement, Dr. Londei serves as our Chief Development Officer. The Londei Employment Agreement sets forth the principal terms and conditions of his employment, including his initial annual base salary of $350,000 and an annual target cash bonus opportunity of 25% of his base salary, which bonus is earned based on our achievement of specified milestones and performance objectives, as well as Dr. Londei's performance relative to one or more performance objectives established by Dr. Londei, our compensation committee and our board of directors, the achievement of which is evaluated by us. Likewise, the Londei Employment Agreement provides for additional discretionary performance-based bonuses. The Londei Employment Agreement provides for the grant of a time-

based stock option to purchase 1,126,756 shares of our common stock under our 2006 Equity Incentive Plan. This option was granted with an exercise price equal to the fair value of our common stock on the date of grant and vests over four years as described in more detail in "—Outstanding Equity Awards at Fiscal Year-End Table" below. Dr. Londei's employment is at will and may be terminated at any time, with or without cause. However, pursuant to the terms of the Londei Employment Agreement, Dr. Londei will be entitled to severance benefits upon a qualifying termination of employment as described in "—Potential Payments upon IPO, Termination or Change in Control" below.

Outstanding Equity Awards at Fiscal Year-End Table

The following table presents, for each of the named executive officers, information regarding outstanding stock options held as of December 31, 2014.

		Option Awards		
Name	Grant Date(1)	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price ($)	Option Expiration Date
Hamza Suria(2)	12/9/2008	157,000	$ 0.37	12/8/2018
	2/10/2010	10,000	$ 0.32	2/9/2020
	2/24/2011	43,457	$ 0.23	2/23/2021
	12/9/2011	986,642	$ 0.16	12/8/2021
	2/1/2012	684,056	$ 0.16	1/31/2022
	2/1/2012	513,042	$ 0.16	1/31/2022
	12/17/2012	135,978	$ 0.13	12/16/2022
	9/16/2014	362,880	$ 0.10	9/15/2024
David King, Ph.D.(3)	12/9/2008	175,000	$ 0.37	12/8/2018
	2/10/2010	10,000	$ 0.32	2/9/2020
	2/24/2011	25,457	$ 0.23	2/23/2021
	12/9/2011	986,642	$ 0.16	12/8/2021
	12/17/2012	135,978	$ 0.13	12/16/2022
Marco Londei, M.D.(4)	10/28/2014	1,126,756	$ 0.10	10/27/2024

(1) All stock-option awards have been granted under our 2006 Equity Incentive Plan. Except where otherwise noted, the underlying shares of each option vest over four years, with 1/4 of the underlying shares vesting on the first calendar anniversary of the grant date and, thereafter, 1/48 of the underlying shares vest on the same day of each succeeding calendar month, subject to the optionee's employment through each applicable vesting date, such that 100% of the underlying shares will have vested on the fourth calendar anniversary of the grant date. See "—2006 Equity Incentive Plan" below for a description of the plan.

(2) These options are early-exercisable, so they are exercisable as to all the underlying shares. (i) All the shares underlying the options granted on December 9, 2008, February 10, 2010, and February 24, 2011 have fully vested; (ii) of the 986,642 shares underlying the option granted on December 9, 2011, 1/4 vested on December 9, 2012, and thereafter, 1/48 vest on the ninth day of each succeeding calendar month, starting January 9, 2013, provided that if Mr. Suria is terminated without Cause or resigns for Good Reason (as each is defined in his option agreement) in connection with a Change in Control (as defined in the 2006 Equity Incentive Plan), then all of the shares underlying the option shall vest at that time; (iii) of the 684,056 shares underlying an option granted on February 1, 2012, all vest only upon a Change in Control (as defined in the 2006 Equity Incentive Plan) or Qualified IPO (as defined in our restated certificate of incorporation) that is approved by our board of directors, subject to Mr. Suria's employment on such date; (iv) of the 513,042 shares underlying the option granted on February 1, 2012, 1/4 vested on January 1, 2013, and thereafter, 1/48 vest on the first day of each succeeding calendar month, starting February 1, 2013, provided that if Mr. Suria is terminated without Cause or resigns for Good Reason (as each is defined in his option agreement) in connection with a Change in Control (as defined in the 2006 Equity Incentive Plan), then all of the shares underlying the option shall vest at that time; (v) of the 135,978 shares underlying the option

granted on December 17, 2012, 1/4 vested on December 17, 2013, and thereafter, 1/48 vest on the seventeenth day of each succeeding calendar month, starting January 17, 2014; and (vi) of the 362,880 shares underlying the option granted on September 16, 2014, 1/4 vest on September 16, 2015, and 1/48 vest on the sixteenth day of each succeeding calendar month, starting October 16 2015.

(3) These options are early-exercisable, except for the option granted on December 9, 2008. The options vest as to their underlying shares as follows: (i) the shares underlying the options granted on December 9, 2008, February 10, 2010, and February 24, 2011 have fully vested; (ii) of the 986,642 shares underlying the option granted on December 9, 2011, 1/4 vested on December 9, 2012, and thereafter, 1/48 vest on the ninth day of each succeeding calendar month, starting January 9, 2013, provided that if Dr. King is terminated without Cause or resigns for Good Reason (as each is defined in his option agreement) in connection with a Change in Control (as defined in the 2006 Equity Incentive Plan), then all of the shares underlying the option shall vest at that time; and (iv) of the 135,978 shares underlying the option granted on December 17, 2012, 1/4 vested on December 17, 2013, and, thereafter, 1/48 vest on the seventeenth day of each succeeding calendar month, starting January 17, 2014. Dr. King's employment was terminated on April 30, 2015, and he joined our Scientific Advisory Board as a consultant on May 1, 2015. Pursuant to the terms of his consulting agreement these options continue to vest according to the schedules detailed above.

(4) These options are early-exercisable. The options vest as to their underlying shares as follows: 1/4 of the shares vest on October 24, 2015, and 1/48 vest on the 24th day of each succeeding calendar month, starting November 24, 2015, provided that if Dr. Londei is terminated without Cause or resigns for Good Reason (as each is defined in his option agreement) in connection with a Change in Control (as defined in the 2006 Equity Incentive Plan), then all of the shares underlying the option shall vest at that time.

Potential Payments upon IPO, Termination or Change in Control

IPO

Pursuant to the Suria Employment Agreement, his option granted on February 1, 2012 will vest in full upon a Change in Control (as defined in the 2006 Equity Incentive Plan) or Qualified IPO (as defined in our restated certificate of incorporation) that is approved by our board of directors, subject to Mr. Suria's employment on such date.

Termination

Pursuant to the Suria Employment Agreement, the King Employment Agreement and the Londei Employment Agreement, in the event that Mr. Suria, Dr. King or Dr. Londei is terminated without "Cause" or resigns for "Good Reason" (each as defined in the applicable employment agreement), provided that each delivers a signed settlement and general release in favor of us and satisfies all conditions to make such release effective, (i) each will receive continued severance payments for 12 months, nine months and nine months, respectively and (ii) and if each elects continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA, we will pay directly to the insurance provider of our group health plans, the monthly premium for such continuation coverage, for 12 months, nine months and nine months, respectively, or such earlier date on which coverage with a new employer is obtained.

Dr. King's employment terminated on April 30, 2015; nine months of severance benefits were paid to him upon his termination, including six months of COBRA premiums, pursuant to a Release and Waiver of Claims between Dr. King and us. Dr. King's consulting agreement does not provide for severance benefits.

Change in Control

Pursuant to the Suria Employment Agreement and certain of his outstanding stock option agreements, if we experience a change in control and Mr. Suria is terminated without "cause" or resigns for "good reason" (each as defined in the employment agreement) upon the occurrence of or within 13 months following such change in

control, and provided that Mr. Suria delivers a signed settlement and general release in favor of us and satisfies all conditions to make such release effective, (i) Mr. Suria will receive the continued severance payments and COBRA premiums described above for 12 months and (ii) certain of his currently outstanding stock options will vest in full as described in more detail in "—Outstanding Equity Awards at Fiscal Year-End Table" above.

In addition, Mr. Suria's option granted on February 1, 2012, will vest in full upon a change in control, subject to Mr. Suria's employment on such date.

Pursuant to the King Employment Agreement and certain of his outstanding stock option agreements, if we experience a change in control and Dr. King is terminated without "cause" or resigns for "good reason" (each as defined in the employment agreement) upon the occurrence of or within 13 months following such change in control, and provided that Dr. King delivers a signed settlement and general release in favor of us and satisfies all conditions to make such release effective, Dr. King will receive the severance payments and COBRA premiums described above for nine months.

As noted above, Dr. King had his employment terminated on April 30, 2015 and he is being paid nine months of severance pursuant to the King Employment Agreement; however, in connection with his consulting services, his stock options remain outstanding and continue to be eligible for the vesting acceleration provisions described above.

Pursuant to the Londei Employment Agreement, if we experience a change in control and Dr. Londei is terminated without "cause" or resigns for "good reason" (each as defined in the employment agreement or applicable option agreement) upon the occurrence of or within 13 months following such change in control, and provided that Dr. Londei delivers a signed settlement and general release in favor of us and satisfies all conditions to make such release effective, (i) Dr. Londei will receive the severance payments and COBRA premiums described above for nine months and (ii) each of his currently outstanding stock options will vest in full.

Each employment agreement contains a "better after-tax" provision, which provides that if any of the payments to Mr. Suria, Dr. King or Dr. Londei, respectively, constitutes a parachute payment under Section 280G of the Code, the payments will either be (i) reduced or (ii) provided in full to the executive, whichever results in the executive receiving the greater amount after taking into consideration the payment of all taxes, including the excise tax under Section 4999 of the Code, in each case based upon the highest marginal rate for the applicable tax.

Employee Benefit and Stock Plans

2006 Equity Incentive Plan

Our 2006 Equity Incentive Plan was adopted by our board of directors on April 24, 2006 and approved by our stockholders on May 26, 2006, and was most recently amended by our board of directors on July 11, 2014 and approved by our stockholders on April 29, 2015.

The 2006 Equity Incentive Plan provides for the grant of both incentive stock options, which qualify for favorable tax treatment to their recipients under Section 422 of the Code, and nonstatutory stock options, as well as for the issuance of shares of restricted stock and stock appreciation rights. We may grant incentive stock options only to our employees, including officers and directors who are also employees. We may grant nonstatutory stock options to our employees, officers, directors and consultants. We have only granted stock options under our 2006 Equity Incentive Plan.

Our 2006 Equity Incentive Plan is administered by our board of directors. Our board of directors has the authority to construe and interpret our 2006 Equity Incentive Plan, grant awards, determine the terms of such awards and make all other determinations necessary or advisable for the administration of the plan. Subject to the terms of our 2006 equity incentive plan and the consent of any adversely affected participant, our board of directors also has the authority to reduce the exercise or strike price of any outstanding stock option or stock appreciation right, cancel any outstanding stock option or stock appreciation right in exchange for a new stock option or stock appreciation right, or take any other action that is treated as a repricing under generally accepted accounting principles.

The exercise price of each stock option must be at least equal to the fair market value of our common stock on the date of grant. The exercise price of incentive stock options granted to 10% stockholders must be at least equal to 110% of the fair market value of our common stock on the date of grant. The maximum permitted term of options granted under our 2006 Equity Incentive Plan is ten years, except that the maximum permitted term of incentive stock options granted to 10% stockholders is five years.

Options granted under our 2006 Equity Incentive Plan generally vest over a four-year period based on employment through certain vesting dates. Options granted under our 2006 Equity Incentive Plan may not be transferred in any manner other than by will or by the laws of descent and distribution or as determined by our board of directors. Unless otherwise permitted by our board of directors, stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative. Options granted under our 2006 Equity Incentive Plan generally may be exercised for a period of three months after the termination of the optionee's service to us for any reason other than due to death or disability, for a period of 12 months in the case of death, and 18 months in the case of disability, or such longer period as our board of directors may provide.

In the event of a corporate transaction (as defined in the 2006 Equity Incentive Plan), the 2006 Equity Incentive Plan provides that awards may be assumed, continued or substituted by the successor or acquiring entity. If any surviving or acquiring corporation fails to assume, continue or substitute such stock awards, stock awards held by participants whose continuous service has not terminated will accelerate vesting in full prior to the corporate transaction. All stock awards will terminate at or prior to the corporate transaction. In addition, our board may also provide, in its sole discretion, that the holder of a stock award that will terminate upon the occurrence of a corporate transaction will receive a payment, if any, equal to the excess of (1) the value of the property the participant would have received upon exercise of the stock award over (2) the exercise price otherwise payable in connection with the stock award.

As of June 30, 2015, we had reserved 14,104,420 shares of our common stock for issuance under our 2006 Equity Incentive Plan. As of June 30, 2015, options to purchase 1,871,130 of these shares had been exercised, options to purchase 8,657,422 of these shares remained outstanding and 3,825,868 of these shares remained available for grant. Our board of directors approved a plan increase of 4,766,852 shares of common stock under our 2006 Equity Incentive Plan on July 9, 2015. The options outstanding as of June 30, 2015 had a weighted-average exercise price of $0.1870 per share. We will cease issuing awards under our 2006 Equity Incentive Plan upon the effective date of our 2015 Equity Incentive Plan. Our 2015 Equity Incentive Plan will be effective on the date immediately prior to the date of this prospectus. As a result, we will not grant any additional options under the 2006 Equity Incentive Plan following that date, and the 2006 Equity Incentive Plan will be terminated at that time. However, any outstanding options granted under the 2006 Equity Incentive Plan will remain outstanding, subject to the terms of our 2006 Equity Incentive Plan and stock option agreements, until such outstanding options are exercised or until they terminate or expire by their terms.

2015 Equity Incentive Plan

We have adopted a 2015 Equity Incentive Plan that will become effective on the date immediately prior to the date of this prospectus and will serve as the successor to our 2006 Equity Incentive Plan. We reserved shares of our common stock to be issued under our 2015 Equity Incentive Plan. The number of shares reserved for issuance under our 2015 Equity Incentive Plan will increase automatically on January 1 of each of 2016 through 2025 by the number of shares equal to % of the aggregate number of outstanding shares of our common stock as of the immediately preceding December 31. However, our board of directors may reduce the amount of the increase in any particular year. In addition, the following shares will again be available for grant and issuance under our 2015 Equity Incentive Plan:

- shares subject to options or stock appreciation rights granted under our 2015 Equity Incentive Plan that cease to be subject to the option or stock appreciation right for any reason other than exercise of the option or stock appreciation right;

- shares subject to awards granted under our 2015 Equity Incentive Plan that are subsequently forfeited or repurchased by us at the original issue price;
- shares subject to awards granted under our 2015 Equity Incentive Plan that otherwise terminate without shares being issued;
- shares surrendered, cancelled or exchanged for cash or a different award (or combination thereof);
- shares of common stock reserved but not issued or subject to outstanding grants under our 2006 Equity Incentive Plan on the date of this prospectus will be available for grant and issuance under our 2015 Equity Incentive Plan;
- shares of common stock issuable upon the exercise of options or subject to other awards under our 2006 Equity Incentive Plan prior to the date of this prospectus that cease to be subject to such options or other awards by forfeiture or otherwise after the date of this prospectus will be available for grant and issuance under our 2015 Equity Incentive Plan;
- shares of common stock issued under our 2006 Equity Incentive Plan that are forfeited or repurchased by us after the date of this prospectus will be available for grant and issuance under our 2015 Equity Incentive Plan; and
- shares of common stock subject to awards under our 2006 Equity Incentive Plan that are used to pay the exercise price of an option or withheld to satisfy the tax withholding obligations related to any award will be available for grant and issuance under our 2015 Equity Incentive Plan.

Our 2015 Equity Incentive Plan authorizes the award of stock options, restricted stock awards, or RSAs, stock appreciation rights, or SARs, restricted stock units, or RSUs, performance awards and stock bonuses. No person will be eligible to receive more than shares in any calendar year under our 2015 Equity Incentive Plan other than a new employee of ours, who will be eligible to receive no more than shares under the plan in the calendar year in which the employee commences employment. No more than shares will be issued pursuant to the exercise of incentive stock options.

Our 2015 Equity Incentive Plan will be administered by our compensation committee, all of the members of which are outside directors as defined under applicable federal tax laws, or by our board of directors acting in place of our compensation committee. The compensation committee will have the authority to construe and interpret our 2015 Equity Incentive Plan, grant awards, determine the terms of such awards and make all other determinations necessary or advisable for the administration of the plan, including, but not limited to, repricing options or SARs without prior stockholder approval.

Our 2015 Equity Incentive Plan will provide for the grant of awards to our employees, directors, consultants, independent contractors and advisors, provided the consultants, independent contractors, directors and advisors are natural persons that render services not in connection with the offer and sale of securities in a capital-raising transaction. The exercise price of stock options must be at least equal to the fair market value of our common stock on the date of grant.

We anticipate that in general, options will vest over a four-year period. Options may vest based on time or achievement of performance conditions. Our compensation committee may provide for options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest. The maximum term of options granted under our 2015 Equity Incentive Plan is ten years.

An RSA is an offer by us to sell shares of our common stock subject to restrictions, which may vest based on time or achievement of performance conditions. The price (if any) of an RSA will be determined by the compensation committee. Unless otherwise determined by the compensation committee at the time of award, vesting will cease on the date the participant no longer provides services to us and unvested shares will be forfeited to or repurchased by us.

SARs provide for a payment, or payments, in cash or shares of our common stock, to the holder based upon the difference between the fair market value of our common stock on the date of exercise and the stated exercise price up to a maximum amount of cash or number of shares. SARs may vest based on time or achievement of performance conditions.

RSUs represent the right to receive shares of our common stock at a specified date in the future, subject to forfeiture of that right because of termination of employment or failure to achieve certain performance conditions. If an RSU has not been forfeited, then on the date specified in the RSU agreement, we will deliver to the holder of the RSU whole shares of our common stock (which may be subject to additional restrictions), cash or a combination of our common stock and cash.

Performance shares are performance awards that cover a number of shares of our common stock that may be settled upon achievement of the pre-established performance conditions in cash or by issuance of the underlying shares. These awards are subject to forfeiture prior to settlement because of termination of employment or failure to achieve the performance conditions. No participant will be eligible to receive more than $ in performance awards in any calendar year.

Stock bonuses may be granted as additional compensation for service or performance and, therefore, will not be issued in exchange for cash.

In the event there is a specified type of change in our capital structure without our receipt of consideration, such as a stock split, appropriate adjustments will be made to the number of shares reserved under our 2015 Equity Incentive Plan, the maximum number of shares that can be granted in a calendar year and the number of shares and exercise price, if applicable, of all outstanding awards under our 2015 Equity Incentive Plan.

Awards granted under our 2015 Equity Incentive Plan may not be transferred in any manner other than by will or by the laws of descent and distribution or as determined by our compensation committee. Unless otherwise permitted by our compensation committee, stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative. Options granted under our 2015 Equity Incentive Plan generally may be exercised for a period of three months after the termination of the optionee's service to us for any reason other than for cause or due to death or disability, for a period of 12 months in the case of death or disability, or such longer period as our compensation committee may provide. Options generally terminate immediately upon termination of employment for cause.

In the event of a merger or consolidation, any and all outstanding awards may be assumed or replaced by the successor corporation. In the alternative, the successor corporation may substitute equivalent awards or provide substantially similar consideration to participants as was provided to stockholders. If the outstanding awards are not assumed, substituted or cashed out, the awards will expire upon the closing of the merger or consolidation; and our compensation committee may accelerate the vesting and exercisability (as applicable) of the awards in connection with the transaction. In the event of a merger or consolidation, the vesting of all awards granted to non-employee directors shall accelerate and such awards shall become exercisable (as applicable) in full.

Our 2015 Equity Incentive Plan will terminate ten years from the date our board of directors adopts the plan, unless it is terminated earlier by our board of directors. Our board of directors may amend or terminate our 2015 Equity Incentive Plan at any time. Our board of directors generally may amend our 2015 Equity Incentive Plan, without stockholder approval unless required by applicable law.

2015 Employee Stock Purchase Plan

We have adopted a 2015 Employee Stock Purchase Plan that will become effective on the date of this prospectus that will enable eligible employees to purchase shares of our common stock at a discount following the date of this offering. Purchases will be accomplished through participation in discrete offering periods. We

initially reserved shares of our common stock for issuance under our 2015 Employee Stock Purchase Plan. The number of shares reserved for issuance under our 2015 Employee Stock Purchase Plan will increase automatically on January 1st of each of the first fiscal years following the first offering date by the number of shares equal to the greater of % of the total outstanding shares of our common stock as of the immediately preceding December 31 (rounded to the nearest whole share) or the actual number of shares purchased under the 2015 Employee Stock Purchase Plan in the immediately preceding fiscal year. However, our board of directors or compensation committee may reduce the amount of the increase in any particular year. The aggregate number of shares issued over the term of our 2015 Employee Stock Purchase Plan will not exceed shares of our common stock. Our 2015 Employee Stock Purchase Plan is intended to qualify as an employee stock purchase plan under Section 423 of the Code.

Our compensation committee will administer our 2015 Employee Stock Purchase Plan. While our employees generally are eligible to participate in our 2015 Employee Stock Purchase Plan, our compensation committee may in its discretion elect to exclude employees who work less than 20 hours per week or less than five months in a calendar year. In addition, employees who are 5% stockholders, or would become 5% stockholders as a result of their participation in our 2015 Employee Stock Purchase Plan, are ineligible to participate in our 2015 Employee Stock Purchase Plan. We may impose additional restrictions on eligibility. Under our 2015 Employee Stock Purchase Plan, eligible employees will be able to acquire shares of our common stock by accumulating funds through payroll deductions. Our eligible employees will be able to select a rate of payroll deduction between % and % of their base cash compensation. The purchase price of the shares will be 85% of the lower of the fair market value of our common stock on the first day of an offering or on the date of purchase.

When the first purchase period commences, our employees who meet the eligibility requirements for participation in that purchase period will automatically be granted a nontransferable option to purchase shares in that purchase period. For subsequent purchase periods, new participants will be required to enroll in a timely manner. Once an employee is enrolled, participation will be automatic in subsequent purchase periods. Each purchase period will run for no more than months. An employee's participation automatically ends upon termination of employment for any reason.

Except for the first purchase period, each purchase period will be for six months (commencing each and). The first purchase period will begin upon the effective date of this offering and will end on , 2015.

No participant will have the right to purchase our shares in an amount, when aggregated with purchase rights under all our employee stock purchase plans that are also in effect in the same calendar years, that has a fair market value of more than $, determined as of the first day of the applicable purchase period, for each calendar year in which that right is outstanding. In addition, no participant will be permitted to purchase more than shares during any one purchase period or such lesser amount determined by our compensation committee. The purchase price for shares of our common stock purchased under our 2015 Employee Stock Purchase Plan will be % of the lesser of the fair market value of our common stock on (i) the first trading day of the applicable offering period or (ii) the last trading day of each purchase period in the applicable offering period.

If we experience a change in control transaction, each outstanding right to purchase shares under our 2015 Employee Stock Purchase Plan may be assumed or an equivalent option substituted by the successor corporation. In the event that the successor corporation refuses to assume or substitute the outstanding purchase rights, any offering period that commenced prior to the closing of the proposed change in control transaction will be shortened and terminated on a new purchase date. The new purchase date will occur prior to the closing of the proposed change in control transaction and our 2015 Employee Stock Purchase Plan will then terminate on the closing of the proposed change in control.

We will also have the right to amend or terminate our 2015 Employee Stock Purchase Plan at any time. Our 2015 Employee Stock Purchase Plan will terminate on the tenth anniversary of the last day of the first purchase period, unless it is terminated earlier by our board of directors.

401(k) Plan

We sponsor a retirement savings plan established January 1, 2007, that is intended to qualify for favorable tax treatment under Section 401(a) of the Code, and contains a cash or deferred feature that is intended to meet the requirements of Section 401(k) of the Code. Participants may make pre-tax and certain after-tax (Roth) salary deferral contributions to the plan from their eligible earnings up to the statutorily prescribed annual limit under the Code. Participants who are 50 years of age or older may contribute additional amounts based on the statutory limits for catch-up contributions. Participant contributions are held in trust as required by law. No minimum benefit is provided under the plan. An employee's interest in his or her salary deferral contributions is 100% vested when contributed. We have the ability to make discretionary contributions under the plan but have not done so to date.

Other Benefits

Our named executive officers are eligible to participate in our employee benefit plans on the same basis as our other employees, including our health and welfare plans.

Limitations on Liability and Indemnification Matters

Our restated certificate of incorporation that will become effective in connection with the closing of this offering contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Our restated certificate of incorporation and our restated bylaws that will become effective in connection with the closing of this offering require us to indemnify our directors and officers to the maximum extent not prohibited by the Delaware General Corporation Law and allow us to indemnify other employees and agents as set forth in the Delaware General Corporation Law. Subject to certain limitations, our restated bylaws also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted.

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors, officers and certain of our key employees, in addition to the indemnification provided for in our restated certificate of incorporation and restated bylaws. These agreements, among other things, require us to indemnify our directors, officers and key employees for certain expenses, including attorneys' fees, judgments, penalties, fines and settlement amounts actually incurred by these individuals in any action or proceeding arising out of their service to us or any of our subsidiaries or any other company or enterprise to which these individuals provide services at our request. Subject to certain limitations, our indemnification agreements also require us to advance expenses incurred by our directors, officers and key employees for the defense of any action for which indemnification is required or permitted.

We believe that these indemnification provisions and agreements are necessary to attract and retain qualified directors, officers and key employees. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our restated certificate of incorporation and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling us, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We describe below transactions and series of similar transactions since January 1, 2012 to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, executive officers or beneficial holders of more than 5% of any class of our capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

Other than as described below, there have not been, nor are there any currently proposed, transactions or series of similar transactions to which we have been or will be a party other than compensation arrangements, which are described where required under "Executive Compensation."

Equity Financings

Series C-1 Preferred Stock Financing

In April 2014, we issued an aggregate of 3,318,054 shares of our Series C-1 convertible preferred stock at a purchase price of $0.65 per share, in exchange for the cancellation of secured convertible promissory notes originally issued in July 2013, which as of April 2014 had an aggregate principal and unpaid interest of $2.2 million.

The following table summarizes the Series C-1 convertible preferred stock issued to our executive officers, members of our board of directors and persons who hold more than 5% of our outstanding capital stock:

Name of Stockholder	Shares of Series C-1 Convertible Preferred Stock	Total Purchase Price
Entities affiliated with Frazier Healthcare(1)	1,370,261	$ 890,670
Novo A/S(2)	1,370,261	890,670
Alloy Ventures 2005, L.P.	541,246	351,810
Hamza Suria(3)	5,469	3,555

(1) Represents shares held by Frazier Healthcare V, L.P., an affiliate of Frazier Healthcare Ventures. Dr. Topper, a member of our Board of Directors, is a General Partner of Frazier Healthcare and may be deemed to have voting and investment power with respect to these shares.
(2) Dr. Aynechi, a member of our board of directors, is employed as a Partner at Novo Ventures (US) Inc., which provides certain consultancy services to Novo A/S, and Dr. Aynechi has no beneficial ownership of or pecuniary interest in these shares.
(3) Mr. Suria is our President and Chief Executive Officer and is a member of our Board of Directors.

Each share of our Series C-1 convertible preferred stock will convert automatically into one share of our common stock upon the closing of this offering. The purchasers of our Series C-1 convertible preferred stock are entitled to specified registration rights, as described below under "Description of Capital Stock—Registration Rights."

Series D Preferred Stock Financing

In July 2015, we sold an aggregate of 38,436,851 shares of our Series D convertible preferred stock at a purchase price of $1.06 per share, for an aggregate cash purchase price of $40.8 million.

The following table summarizes the Series D convertible preferred stock purchased by our executive officers, members of our board of directors and persons who hold more than 5% of our outstanding capital stock:

Name of Stockholder	Shares of Series D Convertible Preferred Stock	Total Purchase Price
Entities affiliated with Frazier Healthcare(1)	6,599,850	$ 6,999,999
Novo A/S(2)	4,714,179	$ 5,000,000
Nicholas B. Lydon, Ph.D., FRS(3)	471,417	$ 499,999
Carol G. Gallagher, Pharm.D.(4)	150,075	$ 159,174
Robert E. Hoffman(5)	47,141	$ 49,999
Hamza Suria(6)	14,142	$ 14,999
Marco Londei, M.D.(7)	14,142	$ 14,999

(1) Consists of shares held by Frazier Healthcare VII, L.P. and Frazier Healthcare VII-A, L.P., both affiliates of Frazier Healthcare. Dr. Topper, a member of our Board of Directors, is a General Partner of Frazier Healthcare and may be deemed to have voting and investment power with respect to these shares.
(2) Dr. Aynechi, a member of our board of directors, is employed as a Partner at Novo Ventures (US) Inc., which provides certain consultancy services to Novo A/S, and Dr. Aynechi has no beneficial ownership of or pecuniary interest in these shares.
(3) Dr. Lydon is a member of our Board of Directors.
(4) Dr. Gallagher is a member of our Board of Directors.
(5) Mr. Hoffman is our Chief Financial Officer.
(6) Mr. Suria is our President and Chief Executive Officer and is a member of our Board of Directors.
(7) Dr. Londei is our Chief Development Officer.

Each share of our Series D convertible preferred stock will convert automatically into one share of our common stock upon the closing of this offering. The purchasers of our Series D convertible preferred stock are entitled to specified registration rights, as described below under “Description of Capital Stock—Registration Rights.”

Amended and Restated Investors’ Rights Agreement

We have entered into an amended and restated investors’ rights agreement with certain holders of our convertible preferred stock, including entities with which certain of our directors are affiliated. These stockholders are entitled to rights with respect to the registration of their shares following our initial public offering under the Securities Act. For a description of these registration rights, see “Description of Capital Stock—Registration Rights.”

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements, our restated certificate of incorporation and our restated bylaws will require us to indemnify our directors to the fullest extent not prohibited by Delaware law. Subject to certain limitations, our restated bylaws also require us to advance expenses incurred by our directors and officers. For more information regarding these agreements, see “Executive Compensation—Limitations on Liability and Indemnification Matters.”

Policies and Procedures for Related Party Transactions

We intend to adopt a written related person transactions policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of our common stock, and any members

of the immediate family of and any entity affiliated with any of the foregoing persons, are not permitted to enter into a material related person transaction with us without the review and approval of our audit committee, or a committee composed solely of independent directors in the event it is inappropriate for our audit committee to review such transaction due to a conflict of interest. We expect the policy to provide that any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of our common stock or with any of their immediate family members or affiliates in which the amount involved exceeds $120,000 will be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, we expect that our audit committee will consider the relevant facts and circumstances available and deemed relevant to the audit committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person’s interest in the transaction.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock at July 31, 2015, and as adjusted to reflect the sale of common stock in this offering, for:

- each of our directors;
- each of our named executive officers;
- all of our current directors and executive officers as a group; and
- each person, or group of affiliated persons, who beneficially owned more than 5% of our common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares of common stock that they beneficially owned, subject to applicable community property laws.

Applicable percentage ownership is based on 98,456,542 shares of common stock outstanding as of July 31, 2015 and assumes (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 80,645,051 shares of common stock as of immediately prior to the closing of this offering. For purposes of the table below, we have assumed that shares of common stock will be issued by us in our initial public offering. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options held by that person or entity that are currently exercisable or that will become exercisable within 60 days of July 31, 2015. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o AnaptysBio, Inc., 10421 Pacific Center Court, Suite 200, San Diego, California 92121.

	Beneficial Ownership Prior to this Offering		Beneficial Ownership After this Offering	
Name of Beneficial Owner	Number	Percent	Number	Percent
5% Stockholders:				
Entities affiliated with Frazier Healthcare(1)	23,019,148	23.2%		%
Novo A/S(2)	21,133,477	21.3		
Avalon Ventures VII, L.P.(3)	15,080,916	15.2		
Alloy Ventures 2005, L.P.(4)	8,977,414	9.1		
Entities affiliated with Biotechnology Value Fund, L.P.(5)	7,074,203	7.2		
HBM Healthcare Investments (Cayman) Ltd.(6)	6,599,851	6.7		
Directors and Named Executive Officers:				
Hamza Suria(7)	2,928,051	2.9		
David King, Ph.D.(8)	1,333,077	1.3		
Marco Londei, M.D.(9)	1,140,898	1.1		
Tiba Aynechi, Ph.D.	—	—		
Carol G. Gallagher, Pharm.D.(10)	1,134,132	1.1		
Nicholas B. Lydon, Ph.D., FRS(11)	2,229,189	2.3		
Hollings Renton(12)	358,098	*		
John Schmid(13)	151,849	*		
James N. Topper, M.D., Ph.D.(1)	23,019,148	23.2		
All executive officers and directors as a group (ten persons)(14)	32,341,583	30.5		

* Represents beneficial ownership of less than one percent.

(1) Consists of (a) 15,598,652 shares of common stock following conversion of convertible preferred stock held directly by Frazier Healthcare V, L.P., (b) 5,136,185 shares of common stock following conversion of convertible preferred stock held directly by Frazier Healthcare VII, L.P., (c) 1,463,665 shares of common stock following conversion of convertible preferred stock held directly by Frazier Healthcare VII-A, L.P. and (d) 820,647 shares of common stock issuable upon the exercise of a warrant held directly by Frazier Healthcare V, L.P. The general partner of Frazier Healthcare V, L.P. is FHM V, L.P., a Delaware limited partnership. The general partner of FHM V, L.P. is FHM V, LLC, a Delaware limited liability company. The general partner of Frazier Healthcare VII, L.P. and Frazier Healthcare VII-A, L.P. is FHM VII, L.P., a Delaware limited partnership. The general partner of FHM VII, L.P. is FHM VII, LLC, a Delaware limited liability company Dr. Topper, a member of our Board of Directors, is a member of FHM V, LLC and FHM VII, LLC and may be deemed to have voting and investment power with respect to the shares held by FHM V, LLC and FHM VII, LLC.

(2) Consists of (a) 20,312,831 shares of common stock following conversion of convertible preferred stock held directly by Novo A/S and (b) 820,647 shares of common stock issuable upon the exercise of a warrants held directly by Novo A/S. The board of directors of Novo A/S, which is currently comprised of Sten Scheibye, Göran Ando, Jeppe Christiansen, Steen Riisgaard and Per Wold-Olsen, has shared voting and investment power with respect to these shares and may exercise such control only with the support of a majority of the board. As such, no individual member of the board is deemed to hold any beneficiary ownership in these shares. Dr. Aynechi, a member of our board of directors, is employed as a Partner at Novo Ventures (US) Inc., which provides certain consultancy services to Novo A/S, and Dr. Aynechi has no beneficial ownership of or pecuniary interest in these shares. The address of Novo A/S is Tuborg Havnevej 19, 2900 Hellerup, Denmark.

(3) Consists of (a) 14,258,530 shares of common stock held directly by Avalon Ventures VII, L.P. and (b) 822,386 shares of common stock issuable upon the exercise of a warrant held directly by Avalon Ventures VII, L.P. The general partner of Avalon Ventures II, L.P. is Avalon Ventures VII GP, LLC. The managing members of Avalon Ventures VII GP, LLC are Kevin J. Kinsella and Stephen L. Tomlin.

(4) Consists of 8,977,414 shares of common stock following conversion of convertible preferred stock held directly by Alloy Ventures 2005, L.P. The general partner of Alloy Ventures 2005, L.P. is Alloy Ventures 2005, LLC. The managing members of Alloy Ventures 2005, LLC are Craig Taylor, Doug Kelly John Shoch, Dan Rubin and Tony Di Bona.

(5) Consists of (a) 3,449,203 shares of common stock following conversion of convertible preferred stock held directly by Biotechnology Value Fund, L.P., (b) 1,974,000 shares of common stock following conversion of convertible preferred stock held directly by Biotechnology Value Fund II, L.P., (c) 637,000 shares of common stock following conversion of convertible preferred stock held directly by Investment 10, L.L.C. and (d) 1,014,000 shares of common stock following conversion of convertible preferred stock held directly by MSI BVF SPV, L.L.C.

(6) Represents 6,599,851 shares of common stock following conversion of convertible preferred stock held directly by HBM Healthcare Investments (Cayman) Ltd. The board of directors of HBM Healthcare Investments (Cayman) Ltd. has sole vesting and investment power with respect to the shares. The board of directors of HBM Healthcare Investments (Cayman) Ltd. is comprised of Jean-Mar Lesieur, Richard Coles, Sophia Harris, Dr. Andrea Wicki, Paul Woodhouse and John Urquhart, none of whom has individual voting or investment power with respect to the shares.

(7) Consists of (a) 34,996 shares of common stock following conversion of convertible preferred stock held directly by Mr. Suria and (b) 2,893,055 shares of common stock issuable to Mr. Suria upon the exercise of stock options that are exercisable within 60 days of July 31, 2015, of which 1,103,130 shares were unvested but were early exercisable, as of 60 days after July 31, 2015.

(8) Represents 1,333,077 shares of common stock issuable to Dr. King upon the exercise of stock options that are exercisable within 60 days of July 31, 2015, of which 104,160 shares were unvested but were early exercisable, as of 60 days after July 31, 2015.

(9) Consists of (a) 14,142 shares of common stock following conversion of convertible preferred stock held directly by Dr. Londei and (b) 1,126,756 shares of common stock issuable to Dr. Londei upon the exercise of stock options that are exercisable within 60 days of July 31, 2015, of which 1,126,756 shares were unvested but were early exercisable, as of 60 days after July 31, 2015.

(10) Consists of (a) 450,075 shares of common stock following conversion of convertible preferred stock held directly by Dr. Gallagher and (b) 684,057 shares of common stock issuable to Dr. Gallagher upon the exercise of stock options that are exercisable within 60 days of July 31, 2015, of which 14,252 shares were unvested but were early exercisable, as of 60 days after July 31, 2015.

(11) Consists of (a) 471,332 shares of common stock held directly by Dr. Lydon, (b) 1,425,385 shares of common stock following conversion of convertible preferred stock held directly by Dr. Lydon, (c) 115,384 shares of common stock issuable upon the exercise of a warrant held directly by Dr. Lydon and (d) 217,088 shares of common stock issuable to Dr. Lydon upon the exercise of stock options that are exercisable within 60 days of July 31, 2015, of which 153,756 shares were unvested but were early exercisable, as of 60 days after July 31, 2015.

(12) Represents 358,098 shares of common stock issuable to Mr. Renton upon the exercise of stock options that are exercisable within 60 days of July 31, 2015, of which 338,205 shares were unvested but were early exercisable, as of 60 days after July 31, 2015.

(13) Represents 151,849 shares of common stock issuable to Mr. Schmid upon the exercise of stock options that are exercisable within 60 days of July 31, 2015, of which 139,195 shares were unvested but were early exercisable, as of 60 days after July 31, 2015.

(14) Includes shares beneficially owned by our current executive officers and directors. Consists of (a) 471,332 shares of common stock, (b) 24,641,572 shares of common stock following conversion of convertible preferred stock, (c) 936,031 shares of common stock issuable upon the exercise of warrants and (d) 6,763,980 shares of common stock issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2015, of which 2,979,454 shares were unvested but early exercisable, as of 60 days after July 31, 2015.

DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering, our authorized capital stock will consist of shares of common stock, $0.001 par value per share, and shares of undesignated preferred stock, $0.001 par value per share. The following description summarizes the most important terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description, you should refer to our restated certificate of incorporation and restated bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of Delaware law.

Pursuant to the provisions of our certificate of incorporation all of the outstanding convertible preferred stock will automatically convert into common stock in connection with the closing of this offering. Assuming the effectiveness of this conversion as of June 30, 2015, there were 98,456,544 shares of our common stock issued, giving effect to the sale and issuance of 38,436,851 shares of Series D convertible preferred stock, held by approximately 54 stockholders of record, and no shares of our preferred stock outstanding. Our board of directors is authorized, without stockholder approval, to issue additional shares of our capital stock.

Common Stock

Dividend Rights

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. See “Dividend Policy” above.

Voting Rights

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. We have not provided for cumulative voting for the election of directors in our restated certificate of incorporation. Accordingly, pursuant to our restated certificate of incorporation that will be in effect upon the closing of this offering, holders of a majority of the shares of our common stock will be able to elect all of our directors. Our restated certificate of incorporation establishes a classified board of directors, to be divided into three classes 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.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, and is not subject to conversion, redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Preferred Stock

Pursuant to the provisions of our certificate of incorporation, all of our outstanding convertible preferred stock will automatically convert into common stock, with such conversion to be effective in connection with the

closing of this offering. As a result, each currently outstanding share of convertible preferred stock will be converted into common stock. All series of convertible preferred stock will convert at a ratio of one share of common stock for each share of convertible preferred stock.

Following this offering, our board of directors will be authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of their qualifications, limitations or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

Warrants

As of June 30, 2015, we had outstanding the following warrants to purchase shares of our capital stock:

Type of Capital Stock	Total Number of Shares Subject to Warrants	Exercise Price Per Share	Expiration Dates
Common Stock	822,386	$ 0.65	November 2018
Series C Preferred Stock	1,775,022	$ 0.65	November 2018
Series C Preferred Stock	288,462	$ 0.65	December 2024

Options

As of June 30, 2015, we had outstanding options to purchase an aggregate 8,657,422 shares of our common stock, with a weighted-average exercise price of $0.1870. Additional options to purchase 5,496,050 shares of our common stock, with an exercise price of $0.99 were granted between June 30, 2015 and August 17, 2015.

Registration Rights

Pursuant to the terms of our Amended and Restated Investor Rights Agreement, immediately following this offering, the holders of 98,456,544 shares of our common stock will be entitled to rights with respect to the registration of these shares under the Securities Act, as described below. We refer to these shares collectively as registrable securities.

Demand Registration Rights

Beginning 180 days after the closing of this offering, the holders of at least a majority of the then-outstanding registrable securities may make a written request to us for the registration of any of the registrable securities under the Securities Act. Within 30 days of such request, we are obligated provide written notice of such request to all stockholders to file a 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. We are only required to file two registration statements that are declared effective upon exercise of these demand registration rights. We may postpone taking action with respect to such filing not more than once during any 12-month period for a total period of not more than 60 days if our board of directors determines in its good faith judgment that it would be seriously detrimental to us and our stockholders for such registration statement to be effected at such time.

Form S-3 Registration Rights

Any holder of then-outstanding registrable securities can request that we register all or part of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and if the aggregate price to the public of the shares offered is at least $2,000,000. The stockholders may only require us to effect two registration statements on Form S-3 in a 12-month period. We may postpone taking action with respect to such filing once during any 12-month period for a total cumulative period of not more than 90 days if our board of directors determines in its good faith judgment that the filing would be materially detrimental to us and our stockholders.

Piggyback Registration Rights

In connection with this offering, holders of registrable securities were entitled to, and the necessary percentage of holders waived, their rights to notice of this offering and to include their registrable securities in this offering. If we register any of our securities for public sale in another offering, holders of registrable securities will have the right to include their shares in the registration statement. However, this right does not apply to a registration relating to employee benefit plans, a registration relating to a corporate reorganization or a registration of only common stock issuable upon conversion of debt securities that are also being registered. We have the right to terminate any registration we have initiated before the effective date of such registration, whether or not any holder has elected to include registrable securities in such registration. The underwriters of any underwritten offering will have the right to limit the number of shares registered by these holders if they determine in good faith that marketing factors require limitation, in which case the number of shares to be registered will be apportioned pro rata among these holders, according to the total amount of securities entitled to be included by each holder, or in a manner mutually agreed upon by the holders. However, in any underwriting not in connection with an initial public offering, the number of shares to be registered by these holders cannot be reduced below 30% of the total shares covered by the registration statement.

Expenses of Registration Rights

We generally will pay all expenses, other than underwriting discounts and commissions.

Expiration of Registration Rights

The registration rights described above will expire, with respect to any particular holder of these rights, on the earlier of the fifth anniversary of the closing of this offering, a merger, consolidation, sale or disposition of our company or a sale by a holder of equity securities representing at least a majority of the voting power of our company, or when that holder can sell all of its registrable securities in a three-month period without restriction under Rule 144 of the Securities Act.

Anti-Takeover Provisions

The provisions of Delaware law, our restated certificate of incorporation and our restated bylaws, as we expect they will be in effect upon the closing of this offering, could have the effect of delaying, deferring or discouraging another person from acquiring control of our company. These provisions, which are summarized below, may have the effect of discouraging takeover bids. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date on which the person became an interested stockholder unless:

- Prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- The interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- At or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66.67% of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale, or other transaction or series of transactions together resulting in a financial benefit to the interested stockholder. 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 outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section 203 may also discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Restated Certificate of Incorporation and Restated Bylaw Provisions

Our restated certificate of incorporation and our restated bylaws, as we expect they will be in effect upon the closing of this offering, include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our company, including the following:

- *Board of Directors Vacancies.* Our restated certificate of incorporation and restated bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors is permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our board of directors but promotes continuity of management.
- *Classified Board.* Our restated certificate of incorporation and restated bylaws will provide that our board is classified into three classes of directors, each with staggered three-year terms. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors. See "Management—Board Composition."
- *Stockholder Action; Special Meetings of Stockholders.* Our restated certificate of incorporation will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, a holder controlling a majority of our capital stock would not be able to amend our restated bylaws or remove directors without holding a

meeting of our stockholders called in accordance with our restated bylaws. Further, our restated bylaws will provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairman of our board of directors, our Chief Executive Officer or our President, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

- *Advance Notice Requirements for Stockholder Proposals and Director Nominations.* Our restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our restated bylaws also will specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions might also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.
- *No Cumulative Voting.* The Delaware General Corporation Law provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our restated certificate of incorporation and restated bylaws will not provide for cumulative voting.
- *Directors Removed Only for Cause.* Our restated certificate of incorporation will provide that stockholders may remove directors only for cause and only by the affirmative vote of the holders of at least two-thirds of our outstanding common stock.
- *Amendment of Charter Provisions.* Any amendment of the above expected provisions in our restated certificate of incorporation would require approval by holders of at least two-thirds of our outstanding common stock.
- *Issuance of Undesignated Preferred Stock.* Our board of directors has the authority, without further action by the stockholders, to issue up to shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by merger, tender offer, proxy contest or other means.
- *Choice of Forum.* Our restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our restated certificate of incorporation or our restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine.

Transfer Agent and Registrar

Upon the closing of this offering, the transfer agent and registrar for our common stock is . The transfer agent's address is , and its telephone number is .

Exchange Listing

We intend to apply to list our common stock on the NASDAQ Global Market under the symbol "ANAB."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding options and warrants, in the public market following this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities.

Upon the closing of this offering, we will have a total of shares of our common stock outstanding, based on the 98,456,544 shares of our capital stock outstanding as of June 30, 2015, assuming (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 42,208,202 shares of common stock as of immediately prior to the closing of this offering, (ii) the sale and issuance of 38,436,851 shares of our Series D convertible preferred stock in a private placement by us in July 2015 and (iii) the automatic conversion of 38,436,851 shares of Series D convertible preferred stock into 38,436,851 shares of common stock immediately prior to the closing of this offering. Of these outstanding shares, all of the shares of common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, could only be sold in compliance with Rule 144.

The remaining outstanding shares of our common stock will be deemed "restricted securities" as defined in Rule 144. Restricted securities may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 promulgated under the Securities Act, which rules are summarized below. In addition, substantially all of our security holders have entered into market standoff agreements with us or lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our stock for at least 180 days following the date of this prospectus, as described below. As a result of these agreements and the provisions of our amended and restated investors' rights agreement described above under "Description of Capital Stock—Registration Rights," subject to the provisions of Rule 144 or Rule 701, shares will be available for sale in the public market as follows:

- Beginning on the date of this prospectus, all of the shares sold in this offering will be immediately available for sale in the public market; and
- Beginning 181 days after the date of this prospectus, additional shares will become eligible for sale in the public market, of which shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below, and shares will be unvested and subject to our right of repurchase.

Lock-Up/Market Standoff Agreements

All of our directors and officers and substantially all of our security holders are subject to lock-up agreements or market standoff provisions that prohibit them from offering for sale, selling, contracting to sell, granting any option for the sale of, transferring or otherwise disposing of any shares of our common stock, options or warrants to acquire shares of our common stock or any security or instrument related to our common stock, or entering into any swap, hedge or other arrangement that transfers any of the economic consequences of ownership of our common stock, for a period of 180 days following the date of this prospectus without the prior written consent of BMO Capital Markets and Stifel, Nicolaus & Company, Incorporated. See "Underwriting."

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of

the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, 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 our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up and market standoff agreements described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

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 and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required by that rule to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701.

Stock Options

As soon as practicable after the closing of this offering, we intend to file one or more registration statements on Form S-8 under the Securities Act covering all of the shares of our common stock subject to outstanding options and the shares of our common stock reserved for issuance under our stock plans. However, the shares registered on Form S-8 may be subject to the volume limitations and the manner of sale, notice and public information requirements of Rule 144 and will not be eligible for resale until expiration of the lock-up and market standoff agreements to which they are subject. Of the 8,657,422 shares of our common stock that were subject to stock options outstanding as of June 30, 2015, options to purchase 4,794,791 shares of common stock were vested as of June 30, 2015. Shares of our common stock underlying outstanding options will not be eligible for sale until expiration of the 180 day lock-up and market standoff agreements to which they are subject.

Registration Rights

We have granted demand, piggyback and Form S-3 registration rights to certain of our stockholders to sell our common stock. Registration of the sale of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. For a further description of these rights, see “Description of Capital Stock—Registration Rights.”

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

This section summarizes the material U.S. federal income tax considerations relating to the acquisition, ownership and disposition of our common stock by "non-U.S. holders" (as defined below) pursuant to this offering. This summary does not provide a complete analysis of all potential U.S. federal income tax considerations relating thereto. The information provided below is based upon provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions currently in effect. These authorities may change at any time, possibly retroactively, or the Internal Revenue Service, or IRS, might interpret the existing authorities differently. In either case, the tax considerations of owning or disposing of our common stock could differ from those described below. As a result, we cannot assure you that the tax consequences described in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS.

This summary does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction, or under U.S. federal gift and estate tax laws, except to the limited extent provided below. In addition, this discussion does not address tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions;
- partnerships or entities or arrangements treated as partnerships or other pass-through entities for U.S. federal tax purposes (or investors in such entities);
- corporations that accumulate earnings to avoid U.S. federal income tax;
- persons subject to the alternative minimum tax or the Medicare contribution tax on net investment income;
- tax-exempt organizations or tax-qualified retirement plans;
- controlled foreign corporations or passive foreign investment companies;
- persons who acquired our common stock as compensation for services;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than 5% of our capital stock (except to the extent specifically set forth below);
- certain former citizens or long-term residents of the United States;
- persons who hold our common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction;
- persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, for investment purposes); or
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership or entity classified as a partnership or other pass-through entity for U.S. federal income tax purposes is a beneficial owner of our common stock, the tax treatment of a partner in the partnership or an owner of the entity will depend upon the status of the partner or other owner and the activities of the partnership or other entity. Accordingly, this summary does not address tax considerations applicable to partnerships that hold our common stock, and partners in such partnerships should consult their tax advisors.

INVESTORS CONSIDERING THE PURCHASE OF OUR COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME AND ESTATE TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES OF FOREIGN, STATE OR LOCAL LAWS, AND TAX TREATIES.

Non-U.S. Holder Defined

For purposes of this summary, a "non-U.S. holder" is any holder of our common stock, other than a partnership, that is not:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state therein or the District of Columbia;
- a trust if it (i) is subject to the primary supervision of a U.S. court and one of more U.S. persons have authority to control all substantial decisions of the trust or (ii) has a valid election in effect under the applicable Treasury regulations to be treated as a U.S. person; or
- an estate whose income is subject to U.S. income tax regardless of source.

If you are a non-U.S. citizen who is an individual, you may, in many cases, be deemed to be a resident alien, as opposed to a nonresident alien, by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. For these purposes, all the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Resident aliens are subject to U.S. federal income tax as if they were U.S. citizens. Such an individual is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of the ownership or disposition of our common stock.

Dividends

We do not expect to declare or make any distributions on our common stock in the foreseeable future. If we do pay dividends on shares of our common stock, however, 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. Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a non-U.S. holder's adjusted tax basis in shares of our common stock. Any remaining excess will be treated as gain realized on the sale or other disposition of our common stock. See "—Sale of Common Stock."

Any dividend paid to a non-U.S. holder on our common stock that is not effectively connected with a non-U.S. holder's conduct of a trade or business in the United States will generally be subject to U.S. withholding tax at a 30% rate. The withholding tax might apply at a reduced rate, however, under the terms of an applicable income tax treaty between the United States and the non-U.S. holder's country of residence. You should consult your tax advisors regarding your entitlement to benefits under a relevant income tax treaty. Generally, in order for us or our paying agent to withhold tax at a lower treaty rate, a non-U.S. holder must certify its entitlement to treaty benefits. A non-U.S. holder generally can meet this certification requirement by providing a Form W-8BEN or Form W-8BEN-E (or any successor of such forms) or appropriate substitute form to us or our paying agent. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to the agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty, you may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS in a timely manner.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder, and if required by an applicable income tax treaty between the United States

and the non-U.S. holder's country of residence, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States, are not subject to U.S. withholding tax. To obtain this exemption, a non-U.S. holder must provide us or our paying agent with an IRS Form W-8ECI properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. In addition to being taxed at graduated tax rates, dividends received by corporate non-U.S. holders that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable tax treaty.

Sale of Common Stock

Subject to the discussions below regarding Backup Withholding and Information Reporting and the Foreign Account Tax Compliance Act, non-U.S. holders will generally not be subject to U.S. federal income tax on any gains realized on the sale, exchange or other disposition of our common stock unless:

- the gain (i) is effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business and (ii) if required by an applicable income tax treaty between the United States and the non-U.S. holder's country of residence, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States (in which case the special rules described below apply);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition of our common stock, and certain other requirements are met (in which case the gain would be subject to a flat 30% tax, or such reduced rate as may be specified by an applicable income tax treaty, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States); or
- the rules of the Foreign Investment in Real Property Tax Act, or FIRPTA, treat the gain as effectively connected with a U.S. trade or business.

The FIRPTA rules may apply to a sale, exchange or other disposition of our common stock if we are, or were within the shorter of the five-year period preceding the disposition and the non-U.S. holder's holding period, a "U.S. real property holding corporation," or USRPHC. In general, we would be a USRPHC if interests in U.S. real estate comprised at least half of the value of our business assets. We do not believe that we are a USRPHC and we do not anticipate becoming one in the future. Even if we become a USRPHC, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as U.S. real property interests only if beneficially owned by a non-U.S. holder that actually or constructively owned more than 5% of our outstanding common stock at some time within the five-year period preceding the disposition.

If any gain from the sale, exchange or other disposition of our common stock, (i) is effectively connected with a U.S. trade or business conducted by a non-U.S. holder and (ii) if required by an applicable income tax treaty between the United States and the non-U.S. holder's country of residence, is attributable to a permanent establishment maintained by such non-U.S. holder in the United States, then the gain generally will be subject to U.S. federal income tax at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If the non-U.S. holder is a corporation, under certain circumstances, that portion of its earnings and profits that is effectively connected with its U.S. trade or business, subject to certain adjustments, generally would be subject also to a "branch profits tax." The branch profits tax rate is 30%, although an applicable income tax treaty between the United States and the non-U.S. holder's country of residence might provide for a lower rate.

U.S. Federal Estate Tax

The estates of nonresident alien individuals generally are subject to U.S. federal estate tax on property with a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and therefore will be included in the taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent's country of residence provides otherwise.

Backup Withholding and Information Reporting

The Code and the Treasury regulations require those who make specified payments to report the payments to the IRS. Among the specified payments are dividends and proceeds paid by brokers to their customers. The required information returns enable the IRS to determine whether the recipient properly included the payments in income. This reporting regime is reinforced by "backup withholding" rules. These rules require the payors to withhold tax from payments subject to information reporting if the recipient fails to cooperate with the reporting regime by failing to provide his taxpayer identification number to the payor, furnishing an incorrect identification number, or failing to report interest or dividends on his returns. The backup withholding tax rate is currently 28%. The backup withholding rules do not apply to payments to corporations, whether domestic or foreign, provided they establish such exemption.

Payments to non-U.S. holders of dividends on common stock generally will not be subject to backup withholding, and payments of proceeds made to non-U.S. holders by a broker upon a sale of common stock will not be subject to information reporting or backup withholding, in each case so long as the non-U.S. holder certifies its nonresident status (and we or our paying agent do not have actual knowledge or reason to know the holder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied) or otherwise establishes an exemption. The certification procedures to claim treaty benefits described under "—Dividends" will generally satisfy the certification requirements necessary to avoid the backup withholding tax. We must report annually to the IRS any dividends paid to each non-U.S. holder and the tax withheld, if any, with respect to these dividends. Copies of these reports may be made available to tax authorities in the country where the non-U.S. holder resides.

Under the Treasury regulations, the payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a U.S. office of a broker generally will be subject to information reporting and backup withholding unless the beneficial owner certifies, under penalties of perjury, among other things, its status as a non-U.S. holder (and the broker does not have actual knowledge or reason to know the holder is a U.S. person) or otherwise establishes an exemption. The payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a non-U.S. office of a broker generally will not be subject to backup withholding and information reporting, except as noted below. Information reporting, but not backup withholding, will apply to a payment of proceeds, even if that payment is made outside of the United States, if you sell our common stock through a non-U.S. office of a broker that is:

- a U.S. person (including a foreign branch or office of such person);
- a "controlled foreign corporation" for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from certain periods is effectively connected with a U.S. trade or business; or
- a foreign partnership if at any time during its tax year (a) one or more of its partners are U.S. persons who, in the aggregate, hold more than 50% of the income or capital interests of the partnership or (b) the foreign partnership is engaged in a U.S. trade or business;

unless the broker has documentary evidence that the beneficial owner is a non-U.S. holder and certain other conditions are satisfied, or the beneficial owner otherwise establishes an exemption (and the broker has no actual knowledge or reason to know to the contrary).

Backup withholding is not an additional tax. Any amounts withheld from a payment to a holder of common stock under the backup withholding rules can be credited against any U.S. federal income tax liability of the holder and may entitle the holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act

A U.S. federal withholding tax of 30% may apply to dividends and the gross proceeds of a disposition of our common stock paid to a foreign financial institution (as specifically defined by the applicable rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). This U.S. federal withholding tax of 30% will also apply to dividends and the gross proceeds of a disposition of our common stock paid to a non-financial foreign entity unless such entity provides the withholding agent with either a certification that it does not have any substantial direct or indirect U.S. owners or provides information regarding direct and indirect U.S. owners of the entity. The 30% federal withholding tax described in this paragraph cannot be reduced under an income tax treaty with the United States or by providing an IRS Form W-8BEN or similar documentation. The withholding tax described above will not apply if the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from the rules. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. Holders should consult with their own tax advisors regarding the possible implications of the withholding described herein.

The withholding provisions described above generally apply to proceeds from a sale or other disposition of common stock if such sale or other disposition occurs on or after January 1, 2017 and to payments of dividends on our common stock.

THE PRECEDING DISCUSSION OF U.S. FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement, dated , 2015, with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. BMO Capital Markets Corp. and Stifel, Nicolaus & Company, Incorporated, are the representatives of the underwriters.

Underwriters	Number of Shares
BMO Capital Markets Corp.	
Stifel, Nicolaus & Company, Incorporated	
JMP Securities LLC	
Wedbush Securities Inc.	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until that option is exercised. If an underwriter fails or refuses to purchase any of its committed shares, the purchase commitments of the non-defaulting underwriters may be increased or the offering may be terminated.

The underwriters have an option to buy up to an additional shares from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise this option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above, and the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriters propose to offer the shares of our common stock directly to the public at the initial public offering price set forth on the cover of this prospectus and to certain dealers at such offering price less a concession not in excess of $ per share. After the initial public offering of the shares, the offering price and the selling concession may be changed by the underwriters.

The following table shows the per share and total underwriting discounts and commissions to be paid by us to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

We estimate that the total expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts and commissions, will be approximately $, all of which will be paid by us. We have agreed to reimburse the underwriters for certain of their expenses incurred in connection with the clearance of this offering with the Financial Industry Regulatory Authority, Inc.

We and our officers and directors and the holders of substantially all of our capital stock and options have agreed with the underwriters that, for a period of 180 days after the date of this prospectus, subject to certain exceptions, we and they will not (1) offer, sell, pledge, 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 (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition), directly or indirectly, including the filing (or participation in the filing) with the SEC of a registration statement under the Securities Act to register, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock or warrants or other rights to acquire

shares of our common stock of which such officer, director or holder is now, or may in the future become, the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic benefits or risks of ownership of such common stock, securities, warrants or other rights to acquire common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or other securities, in cash or otherwise, or (3) publicly disclose the intention to enter into any transaction described in clause (1) or (2) above, except with the prior written consent of BMO Capital Markets Corp. and Stifel, Nicolaus & Company, Incorporated; provided that BMO Capital Markets Corp. and Stifel, Nicolaus & Company, Incorporated, on behalf of the underwriters, have agreed to notify us at least three business days before the effective date of any release or waiver granted to one of our officers or directors, and we have agreed to announce the impending release or waiver by issuing a press release through a major news service at least two business days before the effective date of the release or waiver.

The restrictions above do not apply to the following, subject to certain limitations set forth in the lock-up agreements:

- transfers of securities as a bona fide gift;
- transfers or dispositions of securities to any trust for the direct or indirect benefit of the lock-up signatory or any member of the immediate family of the lock-up signatory;
- transfers of securities to affiliates;
- transfers of securities by will, other testamentary document or intestate succession to the legal representative, heir, beneficiary or a member of the immediate family of the lock-up signatory;
- transfers or dispositions of shares of our common stock or securities convertible or exchangeable into shares of our common stock acquired in open market purchases after the closing of this offering;
- entry into any trading plan established pursuant to Rule 10b5-1 under the Exchange Act;
- exercise of options, warrants or other rights to acquire shares of common stock in accordance with their terms pursuant to an employee benefit plan, option, warrant or other right;
- transfers pursuant to a court order or settlement agreement related to the distribution of assets in connection with the dissolution of a marriage or civil union;
- transfers to us pursuant to agreements under which we have the option to repurchase such shares or a right of first refusal with respect to transfers of such shares upon termination of service of the lock-up signatory;
- transfers by certain stockholders of shares purchased in this offering;
- conversion of outstanding shares of preferred stock into shares of common stock; or
- transfers of shares of our common stock or any security convertible into or exercisable or exchangeable for common stock pursuant to a liquidation, tender offer, merger, consolidation or similar transaction that results in all of our stockholders having the right to exchange their securities for cash, securities or other property.

See “Shares Eligible for Future Sale” for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for our common stock. The initial public offering price will be negotiated among us and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We have applied to have our common stock listed on the NASDAQ Capital Market under the symbol “ANAB.” In connection with the offering, the underwriters may purchase and sell shares of our common stock in

the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A “covered short position” is a short position that is not greater than the amount of additional shares for which the underwriters’ option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. “Naked” short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the closing of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of our common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the NASDAQ Capital Market, in the over-the- counter market or otherwise.

In connection with this offering, the underwriters may engage in passive market making transactions in the common stock on the NASDAQ Capital Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker’s bid, that bid must then be lowered when specified purchase limits are exceeded. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. The underwriters are not required to engage in passive market making and may end passive market making activities at any time.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act and to contribute to payments that the underwriters may be required to make for these liabilities.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of our common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non- financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Offer Restrictions Outside the United States

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.

Notice to prospective investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of the securities offered by this prospectus may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of securities shall require us or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any of the securities or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any of the securities being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and

agreed that the securities 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 securities to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

We and the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of securities in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of securities. Accordingly any person making or intending to make an offer in that Relevant Member State of securities which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of securities in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

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 Directive):

- 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
- 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).

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. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to prospective investors in Switzerland

The securities offered by this prospectus 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 securities 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, us, the securities 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 securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, or FINMA, and the offer of securities 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 securities.

Notice to prospective investors in the Dubai International Financial Centre

This document relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority, or DFSA. This document is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for this document. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorized financial advisor.

In relation to its use in the Dubai International Financial Centre, or DIFC, this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

Notice to prospective investors in the United Arab Emirates

The securities offered by this prospectus 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 Australia

This prospectus:

- does not constitute a disclosure document under Chapter 6D.2 of the Corporations Act 2001 (Cth), or the Corporations Act;
- has not been, and will not be, lodged with the Australian Securities and Investments Commission, or ASIC, as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, or Exempt Investors, available under section 708 of the Corporations Act.

The securities offered by this prospectus may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the securities may be issued, and no draft or

definitive offering memorandum, advertisement or other offering material relating to any securities may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the securities, you represent and warrant to us that you are an Exempt Investor.

As any offer of securities under this document will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the securities you undertake to us that you will not, for a period of 12 months from the date of issue of the securities, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Notice to prospective investors in Japan

The securities offered by this prospectus have not been and will not be registered under the Financial Instruments and Exchange Act. Accordingly, the securities may not 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.

Notice to prospective investors in Hong Kong

The securities offered by this prospectus 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 Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the securities 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 securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Warning

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Notice to prospective investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA;

- to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or
- otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:
    - to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
    - where no consideration is or will be given for the transfer;
    - where the transfer is by operation of law;
    - as specified in Section 276(7) of the SFA; or
    - as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to prospective investors in Bermuda

The securities offered by this prospectus may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda which regulates the sale of securities in Bermuda. Additionally, non-Bermudian persons (including companies) may not carry on or engage in any trade or business in Bermuda unless such persons are permitted to do so under applicable Bermuda legislation.

Notice to prospective investors in Saudi Arabia

This prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations as issued by the board of the Saudi Arabian Capital Market Authority, or CMA pursuant to resolution number 2-11-2004 dated 4 October 2004 as amended by resolution number 1-28-2008, as amended, or the CMA Regulations. The CMA does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorized financial adviser.

Notice to prospective investors in the British Virgin Islands

The securities are not being, and may not be offered to the public or to any person in the British Virgin Islands for purchase or subscription by us or on our behalf. The securities may be offered to companies incorporated under the BVI Business Companies Act, 2004 (British Virgin Islands) (each a BVI Company), but only where the offer will be made to, and received by, the relevant BVI Company entirely outside of the British Virgin Islands.

This prospectus has not been, and will not be, registered with the Financial Services Commission of the British Virgin Islands. No registered prospectus has been or will be prepared in respect of the securities for the purposes of the Securities and Investment Business Act, 2010, or SIBA or the Public Issuers Code of the British Virgin Islands.

The securities may be offered to persons located in the British Virgin Islands who are "qualified investors" for the purposes of SIBA. Qualified investors include (i) certain entities which are regulated by the Financial Services Commission in the British Virgin Islands, including banks, insurance companies, licensees under SIBA and public, professional and private mutual funds; (ii) a company, any securities of which are listed on a recognised exchange; and (iii) persons defined as "professional investors" under SIBA, which is any person (a) whose ordinary business involves, whether for that person's own account or the account of others, the acquisition or disposal of property of the same kind as the property, or a substantial part of our property; or (b) who has signed a declaration that he, whether individually or jointly with his spouse, has net worth in excess of US$1,000,000 and that he consents to being treated as a professional investor.

Notice to prospective investors in China

This prospectus does not constitute a public offer of the securities offered by this prospectus, whether by sale or subscription, in the People's Republic of China, or the PRC. The securities are not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC.

Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the securities without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

Notice to prospective investors in Korea

The securities have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder, or the FSCMA, and the securities have been and will be offered in Korea as a private placement under the FSCMA. None of the securities may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder, or the FETL. The securities have not been listed on any of securities exchanges in the world including, without limitation, the Korea Exchange in Korea. Furthermore, the purchaser of the securities shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the securities. By the purchase of the securities, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the securities pursuant to the applicable laws and regulations of Korea.

Notice to prospective investors in Malaysia

No prospectus or other offering material or document in connection with the offer and sale of the Securities has been or will be registered with the Securities Commission of Malaysia, or the Commission for the Commission's approval pursuant to the Capital Markets and Services Act 2007. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (i) a closed end fund approved by the Commission; (ii) a holder of a Capital Markets Services Licence; (iii) a person who acquires the securities, as principal, if the offer is on terms that the securities may only be acquired at a consideration of not less than RM250,000 (or its equivalent in foreign currencies) for each

transaction; (iv) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3 million (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (v) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies) per annum in the preceding twelve months; (vi) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or its equivalent in foreign currencies), per annum in the preceding twelve months; (vii) a corporation with total net assets exceeding RM10 million (or its equivalent in a foreign currencies) based on the last audited accounts; (viii) a partnership with total net assets exceeding RM10 million (or its equivalent in foreign currencies); (ix) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010; (x) an Islamic bank licensee or takaful licensee as defined in the Labuan Financial Services and Securities Act 2010; and (xi) any other person as may be specified by the Commission; provided that, in the each of the preceding categories (i) to (xi), the distribution of the securities is made by a holder of a Capital Markets Services Licence who carries on the business of dealing in securities. The distribution in Malaysia of this prospectus is subject to Malaysian laws. This prospectus does not constitute and may not be used for the purpose of public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the Commission under the Capital Markets and Services Act 2007.

Notice to prospective investors in Taiwan

The securities have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorised to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the securities in Taiwan.

Notice to prospective investors in South Africa

Due to restrictions under the securities laws of South Africa, the securities are not offered, and the Offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies:

- the offer, transfer, sale, renunciation or delivery is to duly registered banks, mutual banks, financial services provider, financial institution, the Public Investment Corporation (in each case registered as such in South Africa), a person who deals with securities in their ordinary course of business, or a wholly owned subsidiary of a bank, mutual bank, authorised services provider or financial institution, acting as agent in the capacity of an authorised portfolio manager for a pension fund (duly registered in South Africa), or as manager for a collective investment scheme(registered in South Africa); or
- the contemplated acquisition cost of the securities, for any single addressee acting as principal is equal to or greater than R1,000,000.

This document does not, nor is it intended to, constitute an “offer to the public” (as that term is defined in the South African Companies Act, 2008, or the SA Companies Act and does not, nor is it intended to, constitute a prospectus prepared and registered under the SA Companies Act. This document is not an “offer to the public” and must not be acted on or relied on by persons who do not fall within Section 96(1)(a) of the SA Companies Act (such persons being referred to as “relevant persons”). Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

A South African resident person or company or any non-South African company which is a subsidiary of a South African company is not permitted to acquire the securities unless such person has obtained exchange control approval to do so.

LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Fenwick & West LLP, San Francisco, California. Certain legal matters relating to the offering will be passed upon for the underwriters by Cooley LLP, San Diego, California.

EXPERTS

The financial statements of AnaptysBio, Inc. as of December 31, 2013 and 2014, and for each of the years in the two-year period ended December 31, 2014, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith. For further information about us and the common stock offered hereby, reference is made to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and in each instance we refer you to the copy of such contract or other document filed as an exhibit to the registration statement. We currently do not file periodic reports with the SEC. Upon the closing of our initial public offering, we will be required to file periodic reports, proxy statements and other information with the SEC pursuant to the Exchange Act. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, NE, Washington, DC 20549, and copies of all or any part of the registration statement may be obtained from that office. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
AnaptysBio, Inc.:

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

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

/s/ KPMG LLP

San Diego, California
June 5, 2015, except for earnings per share information and Note 12, which are dated July 13, 2015

ANAPTYSBIO, INC.
BALANCE SHEETS
(in thousands, except par value data)

	December 31, 2013	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,810	$ 22,188
Receivable from collaborative partner	—	1,455
Prepaid expenses and other current assets	244	758
Total current assets	3,054	24,401
Property and equipment, net	750	579
Restricted cash	110	85
Total assets	$ 3,914	$ 25,065
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 197	$ 415
Accrued expenses	743	1,052
Deferred revenue	1,290	10,085
Convertible promissory notes payable to related parties	818	—
Other current liabilities	114	129
Total current liabilities	3,162	11,681
Notes payable	—	4,793
Deferred revenue	—	1,935
Deferred rent	221	94
Preferred stock warrant liabilities	386	569
Commitments and contingencies		
Series A convertible preferred stock, $0.001 par value, 3,015 shares authorized, no shares issued or outstanding at December 31, 2013 or 2014	—	—
Series B convertible preferred stock, $0.001 par value, 27,743 shares authorized, 27,743 shares issued and outstanding at December 31, 2013 and 2014; aggregate liquidation preference at December 31, 2014 of $24,991	28,220	28,220
Series C convertible preferred stock, $0.001 par value, 17,982 shares authorized, 11,147 shares issued and outstanding at December 31, 2013 and 2014; aggregate liquidation preference at December 31, 2014 of $7,246	6,452	6,452
Series C-1 convertible preferred stock, $0.001 par value, 10,500 shares authorized, no shares and 3,318 shares issued and outstanding at December 31, 2013 and 2014, respectively; aggregate liquidation preference at December 31, 2014 of $6,470	—	2,156
Stockholders' deficit:		
Common stock, $0.001 par value, 79,000 shares authorized, 17,368 shares issued and outstanding at December 31, 2013 and 2014	17	17
Additional paid in capital	14,247	14,407
Accumulated deficit	(48,791)	(45,259)
Total stockholders' deficit	(34,527)	(30,835)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 3,914	$ 25,065

See accompanying notes to financial statements.

ANAPTYSBIO, INC.
STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,	
	2013	2014
Collaboration revenue	$ 5,483	$15,838
Operating expenses:		
Research and development	8,820	8,614
General and administrative	1,950	2,354
Total operating expenses	10,770	10,968
Income (loss) from operations	(5,287)	4,870
Other income (expense), net		
Interest income	1	2
Interest expense, related parties	(886)	(1,270)
Interest expense	—	(11)
Change in fair value of liability for preferred stock warrants	627	(59)
Total other expense, net	(258)	(1,338)
Net income (loss)	(5,545)	3,532
Net income attributed to participating securities	—	(3,300)
Net income (loss) attributed to common stockholders	$ (5,545)	$ 232
Net income (loss) per common share:		
Basic	$ (0.71)	$ 0.01
Diluted	$ (0.71)	$ 0.01
Weighted-average number of shares outstanding:		
Basic	7,787	17,368
Diluted	7,787	18,627
Pro forma net income per common share (unaudited):		
Basic		$ 0.06
Diluted		$ 0.06
Pro forma weighted-average number of shares outstanding (unaudited):		
Basic		58,473
Diluted		59,732

See accompanying notes to financial statements.

ANAPTYSBIO, INC.
STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(in thousands, except share and unit data)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Series C-1 Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, January 1, 2013	3,000	$ 2,979	34,431	$34,233	15,385	$ 8,905	—	$ —	3,088	$ 3	$ 687	$ (43,246)	$ (42,556)
Beneficial conversion feature of convertible promissory notes payable to related parties	—	—	—	—	—	—	—	—	—	—	1,960	—	1,960
Preferred shares converted to common shares	(3,000)	(2,979)	(6,688)	(6,013)	(4,238)	(2,453)	—	—	14,258	14	11,431	—	11,445
Warrants for Series C Preferred Stock converted to warrants for common stock	—	—	—	—	—	—	—	—	—	—	14	—	14
Shares issued under employee stock plans	—	—	—	—	—	—	—	—	22	—	4	—	4
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	151	—	151
Net loss	—	—	—	—	—	—	—	—	—	—	—	(5,545)	(5,545)
Balance, December 31, 2013	—	—	27,743	28,220	11,147	6,452	—	—	17,368	17	14,247	(48,791)	(34,527)
Conversion of promissory notes payable to related parties into shares of Series C-1 Preferred Stock	—	—	—	—	—	—	3,318	2,156	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	160	—	160
Net income	—	—	—	—	—	—	—	—	—	—	—	3,532	3,532
Balance, December 31, 2014	—	$ —	27,743	$28,220	11,147	$ 6,452	3,318	$2,156	17,368	$ 17	$ 14,407	$ (45,259)	$ (30,835)

See accompanying notes to financial statements.

ANAPTYSBIO, INC.
STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2013	2014
OPERATING ACTIVITIES		
Net income (loss)	$ (5,545)	$ 3,532
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	580	308
Stock-based compensation	151	160
Change in fair value of liability for preferred stock warrants	(627)	59
Noncash interest expense	886	1,273
Loss on disposal of property and equipment	6	3
Changes in operating assets and liabilities:		
Receivable from collaborative partners	268	(1,455)
Prepaid expenses and other assets	132	(489)
Accounts payable and other liabilities	(255)	482
Deferred revenue	(1,392)	10,730
Net cash provided by (used in) operating activities	(5,796)	14,603
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	—	5
Purchases of property and equipment	(37)	(145)
Net cash used in investing activities	(37)	(140)
FINANCING ACTIVITIES		
Proceeds from notes payable, net of costs to issue	—	4,915
Proceeds from issuance of convertible promissory notes payable to related parties, net of costs to issue	1,960	—
Proceeds from issuance of common stock	4	—
Net cash provided by financing activities	1,964	4,915
Net increase (decrease) in cash	(3,869)	19,378
Cash and cash equivalents, beginning of period	6,679	2,810
Cash and cash equivalents, end of period	$ 2,810	$ 22,188
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ —	$ 8
Noncash investing and financing activities:		
Conversion of convertible promissory notes payable to related parties into shares of Series C-1 Preferred Stock	$ —	$ 2,156
Beneficial conversion feature of convertible promissory notes payable to related parties allocated to additional paid-in capital	$ 1,960	$ —
Warrants for Series C Preferred Stock converted to warrants for common stock	$ 14	$ —

See accompanying notes to financial statements.

ANAPTYSBIO, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

AnaptysBio, Inc. ("we," "us," "our," or the "Company") was incorporated in the state of Delaware in November 2005. We are a biotechnology company developing first-in-class antibody product candidates focused on unmet medical needs in inflammation and immuno-oncology. We develop our product candidates using our proprietary, antibody discovery technology platform ("SHM-XEL"), which is designed to replicate, *in vitro*, the natural process of antibody generation. We currently generate revenue from our collaborative research and development arrangements.

Basis of Presentation and Liquidity

Since our inception, we have devoted our primary effort to raising capital and research and development activities, and have incurred losses and negative cash flows from operations through the year ended December 31, 2013 and have an accumulated deficit at December 31, 2014 of $45.3 million. Through 2013, all of our financial support has been provided primarily from the sale of our common and preferred stock and proceeds from the issuance of convertible debt. As of December 31, 2014, however, following the execution of a significant strategic collaboration, we have positive working capital. Going forward, as we continue our expansion, we may seek additional financing and/or strategic investments. However, there can be no assurance that any additional financing or strategic investments will be available to us on acceptable terms, if at all. If events or circumstances occur such that we do not obtain additional funding, we will most likely be required to reduce our plans and/or certain discretionary spending, which could have a material adverse effect on our ability to achieve our intended business objectives. The accompanying financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

2. Significant Accounting Policies

Use of Estimates

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make judgments, assumptions and estimates that affect the amounts reported in our financial statements and accompanying notes. Significant estimates in the financial statements have been made for preferred stock warrant liabilities and stock-based compensation. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents consist primarily of money market and mutual funds with original maturities of 90 days or less.

Restricted Cash

At December 31, 2013 and 2014, we held restricted cash of $110,000 and $85,000, respectively, used to secure a letter of credit provided as security for our operating leases for our facility.

Property and Equipment

Property and equipment is carried at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation and amortization are calculated

using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight line method over the shorter of the lease term or the estimated useful life of the asset. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Long Lived Assets

Long-lived assets, consisting of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted cash flows. If long-lived assets are impaired, an impairment loss is recognized and is measured as the amount by which the carrying value exceeds the estimated fair value of the assets. No impairment charges were recorded during the years ended December 31, 2013 or 2014.

Deferred Rent and Operating Lease Incentives

When an operating lease includes lease incentives, such as a rent abatements or leasehold improvement allowances, or requires fixed escalations of the minimum lease payments, the aggregate rental expense, including such incentives or increases, is recognized on a straight-line basis over the term of the lease. The cumulative difference between the actual rental payments and rent charged to expense is recorded as deferred rent in the accompanying balance sheets. For leasehold improvement allowances, the costs are capitalized as leasehold improvement assets and amortized to expense over the appropriate recognition period for such assets.

Debt Issuance Costs

Debt issuance costs incurred to obtain debt financing are deferred and are amortized over the term of the debt using the effective interest method. The costs are recorded as a reduction to the carrying value of the debt and the amortization expense is included in interest expense in the statements of operations.

Revenue Recognition

Revenue is recognized in accordance with revenue recognition accounting guidance, which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence that an arrangement exists; (ii) delivery has occurred and title and the risks and rewards of ownership have been transferred to the client or services have been rendered; (iii) the price is fixed or determinable; and (iv) collectability is reasonably assured.

Multiple-Element Revenue Arrangements. We evaluate deliverables in a multiple-element arrangement to determine whether each deliverable represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. If the delivered element does not have standalone value without one of the undelivered elements in the arrangement, we combine such elements and account for them as a single unit of accounting. We allocate the consideration to each unit of accounting at the inception of the arrangement based on the relative selling price.

We recognize consideration allocated to an individual element when all other revenue recognition criteria are met for that element. Our multiple-element revenue arrangements may include the following:

- **License arrangements**. The deliverables under our collaboration and license agreements generally include exclusive or nonexclusive licenses to one or more products generated using our technologies. As the delivered licenses have not historically had standalone value apart from the undelivered elements, these have been recognized as revenue as a combined unit of accounting. Accordingly, we recognize revenue from nonrefundable upfront fees in the same manner as the undelivered item(s), which is generally the period over which we provide research and developments services.
- **Research and Development Services.** The deliverables under our collaboration and license arrangements may include research and development services we perform on behalf of or with our

collaborators. As the provision of research and development services is an integral part of our operations and we may be principally responsible for the performance of these services under the agreements, we recognize revenue on a gross basis for research and development services as we perform those services. Additionally, we recognize research related funding under collaboration research and development efforts as revenue as we perform or deliver the related services in accordance with contract terms.

Milestone Revenue. Our collaboration and license agreements generally include contingent contractual payments related to achievement of specific research, development and regulatory milestones and sales-based milestones that are dependent upon the performance of the licensor or collaborator.

We recognize any payment that is contingent upon the achievement of a substantive milestone entirely in the period in which the milestone is achieved. A milestone is defined as an event that can only be achieved based in whole or in part either on our performance, or the performance of our collaborators, or the occurrence of a specific outcome resulting from our past performance for which there is a substantive uncertainty at the date the arrangement is entered into that the event will be achieved.

Research and Development

Costs associated with research and development activities are expensed as incurred. Research and development costs primarily include salaries and personnel-related costs, supplies and materials, contract manufacturing, in-licensing fees, outside services, and an allocation of information technology, fringe benefits, and facility overhead costs.

Upfront and milestone payments incurred under our in-licensing agreements are expensed as acquired in-process research and development in the period in which they are incurred, provided that the technology or method has no alternative future use. Royalties incurred on fees received under our sublicensing arrangements are expensed in the period in which we recognize the related collaborative revenue.

Stock-Based Compensation

We recognize stock-based compensation expense using a fair-value-based method for costs related to all share-based payments, including stock options. Stock-based compensation cost for stock options granted to our employees and directors is measured at the grant date based on the fair-value of the award which is estimated using the Black-Scholes option-pricing model, and is recognized as expense over the requisite service period on a straight-line basis. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate prevesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

Options granted to individual service providers who are not employees or directors are accounted for at estimated fair values using the Black-Scholes option pricing model and are subject to periodic remeasurement over the period during which the services are rendered.

No tax benefits for stock-based compensation have been recognized in the statements of changes in stockholders' equity or cash flows. We have not recognized, and do not expect to recognize in the near future, any tax benefit related to stock-based compensation cost as a result of our full valuation allowance on net deferred tax assets and net operating loss carryforwards.

Warrants for Shares of Preferred Stock

We account for warrants for shares of preferred stock with conversion features that provide for reductions in the warrant price as derivative liabilities in the accompanying balance sheets at their fair value on the date of issuance. The derivative liabilities are revalued at each balance sheet date until such instruments are exercised or expire, with changes in the fair value between reporting periods recorded as other income or expense.

Fair Value of Financial Instruments

Our financial instruments consist principally of cash, cash equivalents, restricted cash, receivables from collaborative partners, accounts payable, notes payable and preferred stock warrant liabilities.

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 on the measurement date. Accounting guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activities, therefore requiring an entity to develop its own assumptions.

Concentration of Credit Risk

Our policy is to place our cash and cash equivalents with high quality financial institutions in order to limit our credit risk exposure, and, at times, balances may exceed federally insured limits. To date, we have not experienced any credit losses associated with these financial instruments.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled. Realization of deferred tax assets is dependent upon future taxable income. A valuation allowance is recognized if it is more likely than not that some portion or all of a deferred tax asset will not be realized based on the weight of available evidence, including expected future earnings.

We recognize an uncertain tax position in our financial statements when we concludes that a tax position is more likely than not to be sustained upon examination based solely on our technical merits. Only after a tax position passes the first step of recognition will measurement be required. Under the measurement step, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon effective settlement. This is determined on a cumulative probability basis. The full impact of any change in recognition or measurement is reflected in the period in which such change occurs. We have elected to accrue any interest or penalties related to income taxes as part of our income tax expense.

Net Income (Loss) Per Common Share and Pro Forma Net Income Per Common Share

Net income (loss) per share of common stock is determined using the two-class method for participating securities as this method is more dilutive than the if-converted method. All series of our convertible preferred stock are considered to be participating securities. In accordance with the two-class method, earnings allocated to these participating securities, which include participation rights in undistributed earnings, are subtracted from net income to determine total earnings to be attributed to common stockholders.

Basic net income (loss) per common share is computed by dividing net income (loss) attributed to common stockholders by the weighted-average number of common shares outstanding during the period. All participating

securities are excluded from basic weighted-average common shares outstanding. In computing diluted net income (loss) attributed to common stockholders, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities, including stock options and warrants that reduce the preferred stockholders participation in earnings to be attributed to common stockholders. Diluted net income (loss) per share attributed to common stockholders is computed by dividing net income (loss) attributed to common stockholders by the weighted-average number of common equivalent shares outstanding for the period. Diluted net income (loss) per share attributed to common stockholders includes any dilutive effect from outstanding stock options and warrants using the treasury stock method.

Computations for basic and diluted net income (loss) per common share are below. The unaudited pro forma basic and diluted net income (loss) per common share calculation assumes the conversion of all outstanding shares of convertible preferred stock into common stock as if such conversion had occurred on January 1, 2014 or the original issuance date, if later.

(in thousands, except per share data)	Net Income (Loss) (Numerator)	Shares (Denominator)	Amount
Year Ended December 31, 2013			
Basic and diluted net loss per common share:			
Net loss attributed to common stockholders	$ (5,545)	7,787	$ (0.71)
Year Ended December 31, 2014			
Basic net income per common share:			
Net income	$ 3,532		
Net income attributed to participating securities	(3,300)		
Net income attributed to common stockholders	232	17,368	$ 0.01
Diluted net income per common share:			
Reallocation of net income attributed to participating securities	12	—	
Dilutive effect of stock options	—	1,259	
Net income attributed to common stockholders plus assumed conversions	$ 244	18,627	$ 0.01
Pro Forma for the Year Ended December 31, 2014 (unaudited)			
Basic net income per common share:			
Net income	$ 3,532	17,368	
Pro forma adjustment to reflect the assumed conversion of convertible preferred shares	—	41,105	
Pro forma basic net income per common share	3,532	58,473	$ 0.06
Diluted net income per common share:			
Dilutive effect of stock options	—	1,259	
Net income attributed to common stockholders plus assumed conversions	$ 3,532	59,732	$ 0.06

Common stock equivalents issuable upon the conversion or exercise of dilutive securities that could potentially reduce net income per common share in the future that were excluded from the determination of diluted net income (loss) per common share as their effects were antidilutive are as follows:

	Year Ended December 31,	
(in thousands)	2013	2014
Convertible preferred stock	48,382	—
Options to purchase common stock	7,535	7,556
Warrants to purchase preferred stock	1,775	1,847
Warrants to purchase common stock	822	822
Total	58,514	10,225

Accounting Pronouncements Recently Adopted

In June 2014, the Financial Accounting Standards Board, ("FASB") issued Accounting Standards Update ("ASU") No. 2014-10, *Development Stage Entities (Topic 915)*, which eliminated the distinction of a Development Stage Entity along with the inception to date reporting requirements. As permitted by this ASU, we elected to early adopt the amendment beginning with our annual reporting period ending December 31, 2014, with retrospective application of the amended guidance. Upon adoption, there was no effect to our financial statements, other than the elimination of inception to date disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This update requires the presentation of debt issuance costs in financial statements as a direct reduction of related debt liabilities rather than as an asset. Amortization of debt issuance costs continue to be reported as interest expense. As permitted by the ASU, we elected to early adopt the amendment beginning with our annual reporting period ending December 31, 2014, with retrospective application of the amended guidance. The adoption of this ASU resulted in the reclassification $37,000 and $85,000 in deferred debt issuance costs from prepaid expenses and other current assets to a direct reduction to the carrying values of notes payable and convertible promissory notes reported in the balance sheets at December 31, 2013 and 2014, respectively. The adoption of this guidance did not have any effect on the statement of operations during the years ended December 31, 2013 or 2014.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance in FASB ASC 605, Revenue Recognition, including industry-specific guidance. This standard is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also requires additional disclosure about the nature, amount, timing and uncertainty of assets recognized from costs incurred to fulfill a contract and becomes effective for our annual reporting period beginning January 1, 2018, including interim periods within that reporting period; early adoption is not permitted. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. We are currently assessing the impact that this standard will have on our financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern*, which provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and the related footnote disclosure. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financials are issued. When management identifies conditions or events that raise substantial doubt about the entity's ability to continue as a

going concern, this standard also outlines disclosures that are required in our footnotes based on whether or not there are any plans intended to mitigate the relevant conditions or events to alleviate the substantial doubt. This standard becomes effective for our annual reporting period ending December 31, 2016, and for annual and interim periods thereafter. Early application is permitted. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

3. Balance Sheet Accounts and Supplemental Disclosures

Property and Equipment

Property and equipment consist of the following:

	December 31,	
(in thousands)	2013	2014
Laboratory equipment	$ 2,940	$ 3,031
Office furniture and equipment	586	565
Leasehold improvements	338	338
	3,864	3,934
Less: accumulated depreciation and amortization	(3,114)	(3,355)
Total property and equipment, net	$ 750	$ 579

Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
(in thousands)	2013	2014
Accrued compensation and related expenses	$ 485	$ 588
Accrued research and contract manufacturing expenses	7	293
Accrued royalties	97	79
Other	154	92
Total accrued expenses	$ 743	$1,052

4. Collaborative Research and Development Agreements

TESARO Collaboration

In March 2014, we entered into a Collaboration and Exclusive License Agreement with TESARO, Inc. and TESARO Development, Inc. (collectively, “TESARO”), an oncology-focused biopharmaceutical company. Under the terms of the agreement, we agreed to perform certain discovery and early preclinical development of therapeutic antibodies with the goal of generating immunotherapy antibodies for subsequent preclinical, clinical, regulatory and commercial development to be performed by TESARO. Under the terms of the agreement, TESARO paid an upfront license fee of $17.0 million in March 2014 and agreed to provide funding to us for research and development services related to antibody discovery programs for three specific targets.

In November 2014, we and TESARO entered into an Amendment No. 1 to the Agreement to add an antibody discovery program against a fourth target for an upfront license fee of $2.0 million.

For each development program, we are eligible to receive milestone payments of up to $18.0 million if certain clinical trial events are achieved by TESARO, up to an additional $90.0 million if certain U.S. and European regulatory submissions and approvals in multiple indications are achieved, and up to an additional

$165.0 million upon the achievement of specified levels of annual worldwide net sales. We will also be eligible to receive tiered single-digit royalties related to worldwide net sales of products developed under the collaboration and certain commercial milestone payments if specified levels of annual worldwide net sales are attained. Unless earlier terminated by either party upon specified circumstances, the agreement will terminate, with respect to each specific developed product, upon the later of the 12th anniversary of the first commercial sale of the product or the expiration of the last to expire of any patent.

We determined that the upfront license fees and research funding under the agreement, as amended, should be accounted for as a single unit of accounting and that the upfront license fees should be deferred and recognized as revenue over the same period that the research and development services are performed. As a result, the $17.0 million and $2.0 million license fees have been deferred and are being recognized as revenue ratably over the research periods specified in the contract of 24 and 16 months, respectively. Revenue from the contingent milestone payments will be recognized if and when such payments become due, subject to satisfaction of all of the criteria necessary to recognize revenue at that time.

Revenue recognized under this agreement aggregated $11.5 million during the year ended December 31, 2014, which includes $7.0 million for the amortization of the upfront fee and $4.5 million in funding for research and development services, of which $1.5 million was receivable at December 31, 2014. Deferred revenue for this agreement was $12.0 million at December 31, 2014.

Celgene Antibody Generation Agreement

In December 2011, we entered into an Antibody Generation Agreement with Celgene Corporation (“Celgene”), under which we agreed to develop human therapeutic agents against multiple targets. We successfully delivered three antibodies against three targets under this agreement. The final deliverable under this agreement was completed in 2014. Under the terms of the agreement, Celgene agreed to pay an initial fee of $6.0 million, followed by a success fee of $0.5 million upon successful delivery of therapeutic antibodies against each of the targets involved.

The upfront payment was recognized as revenue ratably over the estimated time to project completion through February 2014. Revenue recognized under this agreement aggregated $3.7 million during the year ended December 31, 2013, which includes $2.0 million for the amortization of the upfront fee, $1.0 million in success fees and $746,000 in funding for research and development costs. Revenue recognized under this agreement aggregated $592,000 during the year ended December 31, 2014, which includes $500,000 in success fees and $92,000 in funding for research and development costs. Deferred revenue for this agreement was $92,000 at December 31, 2013.

Momenta Antibody Generation Agreement

In December 2013, we entered into an Antibody Generation Agreement, with Momenta Pharmaceuticals, Inc. (“Momenta”) under which we agreed to generate certain antibodies with enhanced affinity specific for a particular target for use in the development of human therapeutic agents by Momenta. Under the terms of the agreement, Momenta agreed to pay an upfront fee of $1.1 million, followed by a $2.0 million success fee in the event of a successful outcome, which occurred in 2014. This agreement expired in accordance with its terms in 2014.

The upfront payment was recognized as revenue ratably over the estimated time to project completion, or nine months, beginning January 2014 when the project commenced. Revenue recognized under this agreement aggregated $3.1 million during the year ended December 31, 2014, which includes $2.0 million in success fees and $1.1 million for the amortization of the upfront fee. Deferred revenue for this agreement was $1.1 million at December 31, 2013.

Other Collaborative Agreements

During 2013 and 2014, we recognized revenue from other collaborative partners aggregating $1.7 million and $0.6 million, respectively, for the development of antibodies for specified targets. Revenue from these agreements consisted primarily of the amortization of upfront payments and funding for research and development services that were recognized as the related services were provided. Our obligations under these collaborative agreements were completed by the end of 2014.

5. Notes Payable and Convertible Promissory Notes

Notes Payable

On December 24, 2014, we entered into a Loan and Security Agreement with a bank and a financial institution whereby we may borrow up to $15.0 million in three separate draws of $5.0 million each. The Term A Loans, for an aggregate of $5.0 million, were drawn on December 24, 2014. The Term B Loans for an aggregate of $5.0 million are available for draw through December 31, 2015, contingent upon our first multi-dose PK/toxicology studies on at least two development programs and the Term C Loans for an aggregate of $5.0 million are available for draw through December 31, 2016, contingent upon receiving FDA approval on IND submission on at least two development programs. The Term A Loans each bear a fixed rate of interest of 6.97% and are due in 12 monthly interest-only payments through January 2016, followed by 36 equal monthly principal and interest payments, with final maturity in January 2019.

Upon the issuance of the Term B Loans, the interest-only periods for both the Term A and B Loans are extended by six months through July 2016, followed by 30 equal monthly principal and interest payments, with final maturity of all Loans in January 2019. Upon the issuance of the Term C Loans, the interest-only periods for all Loans are further extended by six months through January 2017, followed by 24 equal monthly principal and interest payments, with final maturity of Loans in January 2019. If the Term B and C Loans are issued, they will bear interest at the greater of 6.95% or the 3-month LIBOR plus 6.72%.

The costs incurred to issue the Term A Loans of $85,000 were deferred and are included in the discount to the carrying value of the Term A Loans in the accompanying balance sheet. The Term A Loans also include a final payment fee of $250,000 due at the earlier of prepayment or the maturity date of the Term A Loans. The deferred costs and the final payment fee will be amortized to interest expense over the expected term of the Term A Loans using the effective interest method.

In connection with the issuance of the Term A Loans, we issued detachable, fully vested warrants to purchase an aggregate of 288,462 shares of Series C Preferred Stock at an exercise price of $0.65 per share to the lenders, which are subject to change under anti-dilution provisions. The warrants are exercisable at any time through December 2024. The grant-date fair value of the warrants of $124,000 was recorded a liability, with a reduction to the carrying value of the Term A Loans, and which is recognized as additional interest expense over the remaining term of the Loans. The initial fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: a stock price volatility of 70.2%, an expected life equal to the contractual term of the warrants of ten years and a risk-free interest rate of 1.97%.

At December 31, 2014, the carrying amount of the Term A Loans was $4.8 million, which is net of discounts of $209,000. The effective interest rate on the Term A Loans at December 31, 2014 was 9.25%. As of December 31, 2014, future maturities of the Term A Loans were $1.4 million, $1.7 million, $1.8 million and $153,000 in 2016, 2017, 2018 and 2019, respectively.

The Term A Loans are secured by a first priority interest in most of our assets, excluding intellectual property, with a net book value of $6.0 million at December 31, 2014. We are also required to maintain a minimum of 50% of our operating and investment account balances at all times with one of the lenders. At December 31, 2014, we were in compliance with the covenants contained in the Loan and Security Agreement.

Convertible Promissory Notes Payable to Related Parties

In August 2013, pursuant to a Purchase Agreement, we issued convertible promissory notes to existing investors aggregating $2.0 million. The notes, which bear interest at 10% per annum, were unsecured and subordinated to all current and future indebtedness and were convertible at any time at the option of the holders into shares of Series C-1 Preferred Stock at a conversion price of $0.65 per share.

Authoritative accounting guidance requires that a portion of the note proceeds be allocated to additional paid-in capital for the intrinsic value, if any, of the conversion option (the "beneficial conversion feature") based upon the difference between the fair value of the underlying preferred stock at the date of issuance of the notes and the effective conversion price embedded in the notes. The resulting discount on the notes is amortized over the term of the related notes to the stated date of redemption. At August 30, 2013, the date of issuance of the notes, the intrinsic value of the conversion option exceeded the net proceeds of the notes, and therefore the resulting discount attributed to the notes was limited to $2.0 million.

In April 2014, the principal and accrued interest on the notes, which aggregated $2.2 million, were converted into 3.3 million shares of Series C-1 Preferred Stock. The unamortized discount of $405,000 at the date of conversion was recognized as interest expense. Total interest expense resulting from the amortization and write-off of the discount totaled $818,000 and $1.2 million during the years ended December 31, 2013 and 2014, respectively.

6. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes our assets and liabilities that require fair value measurements on a recurring basis and their respective input levels based on the fair value hierarchy:

		Fair Value Measurements at End of Period Using:		
(in thousands)	Fair Value	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At December 31, 2013				
Money market funds(1)	$ 2,492	$ 2,492	$ —	$ —
U.S. treasury security(2)	135	135	—	—
Preferred stock warrant liabilities	386	—	—	386
At December 31, 2014				
Money market funds(1)	$14,736	$ 14,736	$ —	$ —
Mutual funds(1)	7,227	7,227	—	—
U.S. treasury security(2)	90	90	—	—
Preferred stock warrant liabilities	569	—	—	569

(1) Included in cash and cash equivalents in the accompanying balance sheets.
(2) Included in cash and cash equivalents, and restricted cash in the accompanying balance sheets.

Marketable Securities. For fair values determined by Level 1 inputs, which utilize quoted prices in active markets for identical assets, the level of judgment required to estimate fair value is relatively low. The fair values of investments in money market funds, mutual funds and U.S. treasury securities were determined using Level 1 inputs.

Warrant Liabilities. Our preferred stock warrants are accounted for as derivative liabilities and measured at fair value on a recurring basis as they contain features that are either not afforded equity classification or embody risks that are not clearly and closely related to host contracts. We estimate fair values of these derivatives utilizing the Black-Scholes option-pricing model, which requires Level 3 inputs.

Estimating fair values of derivative financial instruments, including Level 3 instruments, require the use of significant and subjective inputs that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors, including changes in the estimated fair value of our equity securities.

The following weighted-average assumptions were employed in estimating the value of the liabilities for Series C preferred stock warrants using the Black Scholes option-pricing model:

	Year Ended December 31,	
	2013	2014
Fair value of preferred stock	$ 0.45	$ 0.58
Exercise price	$ 0.65	$ 0.65
Risk-free interest rate	1.54%	1.26%
Volatility	67.4%	61.3%
Dividend Yield	0%	0%
Contractual term (in years)	5.0	4.8
Weighted-average measurement date fair value per share	$ 0.22	$ 0.28

A 10% increase in the fair values of preferred stock at December 31, 2013 and 2014 would result in increases in the estimated fair values of the preferred stock warrant liabilities of $58,000 and $89,000, respectively.

The following table summarizes the activity in liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 Inputs):

(in thousands)	Preferred Stock Warrant Liabilities
Balance at January 1, 2013	$ (1,027)
Series C Preferred Stock warrants converted to Common Stock warrants	14
Unrealized net gains included in other income (expense), net	627
Balance at December 31, 2013	(386)
Issuances	(124)
Unrealized net losses included in other income (expense), net	(59)
Balance at December 31, 2014	$ (569)

Fair Value of Other Financial Instruments

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, receivable from collaborative partner, accounts payable, accrued expenses and convertible promissory notes payable, approximate fair value due to their short-term nature. The carrying amount of our notes payable of $4.8 million at December 31, 2014 approximated fair value due to the close proximity of their issuance in December 2014.

7. Stockholders' Equity

Preferred Stock

Our Amended and Restated Certificate of Incorporation, dated July 15, 2013, authorizes 59.2 million shares of preferred stock, which are designated as follows:

(in thousands)	
Series A	3,015
Series B	25,525
Series B-1	1,996
Series B-2	222
Series C	17,982
Series C-1	10,500
Total designated Preferred Stock	59,240

The Series B, B-1, and B-2 Preferred Stock (collectively, the "Series B Preferred Stock") generally have consistent rights and preferences discussed below, except that the conversion price of the Series B-2 Preferred Stock shall not be subject to adjustment in the event that we issue additional equity securities at a purchase price less than the Series B-2 conversion price.

The convertible preferred stock has been classified as temporary equity in the accompanying balance sheets as the shares include provisions allowing the holder to cause redemption of the shares upon certain change in control events that are outside of our control. We have elected not to adjust the carrying values of the convertible preferred stock to the respective liquidation preferences of such shares as we are uncertain whether or when an event would occur that would obligate us to pay the liquidation preference to the holders of such shares, as discussed below. Adjustments to increase the carrying values to the respective liquidation preferences will be made if and when it becomes probable that an event would occur obligating us to pay such amounts.

Dividend Rights. The holders of the Series A, B, C, and C-1 Preferred Stock are entitled to receive noncumulative dividends at a rate of 8% of the respective Series issue price per annum. The Series C-1 Preferred Stock dividends are payable in preference and in priority to any Series C Preferred Stock. The Series C Preferred Stock dividends are payable in preference and in priority to any Series B Preferred Stock. The Series B and Series A Preferred Stock dividends are payable in preference and in priority to any dividends on common stock.

The preferred stock dividends are payable when, as and if declared by our board of directors. As of December 31, 2014, the board of directors has not declared any dividends.

Voting Rights. The holders of Series Preferred Stock are entitled to one vote for each share of common stock into which such Series Preferred Stock could then be converted; and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of common stock, except that the holders of the Series B Preferred shares, voting as a separate class, are entitled to elect two members of the board of directors, the holders of the Series A Preferred and common stock shares, each voting as a separate class, are each entitled to elect one member of the board of directors, and the holders of the Preferred and common shares, voting as a single class, are entitled to elect all remaining members of the board of the directors.

Liquidation Rights. Upon liquidation, dissolution or winding up of the Company, the holders of Preferred Stock are entitled to receive distributions to be paid out of the assets of the Company, before any distributions are made to the holders of common stock. The holders of the Series C-1 are entitled to receive liquidation preference at three (3) times the original issue price of $0.65 per share plus all declared and unpaid dividends. Liquidation payments to the holders of Series C-1 Preferred Stock have priority and are made in preference to any payments

to the holders of Series C Preferred Stock. The holders of the Series C Preferred Stock are entitled to receive liquidation preferences at the rate of $0.65 per share plus all declared and unpaid dividends. Liquidation payments to the holders of Series C Preferred Stock have priority and are made in preference to any payments to the holders of Series B Preferred Stock. The holders of the Series B and Series B-1 Preferred Stock are entitled to receive liquidation preferences at the rate of $0.90 per share plus all declared and unpaid dividends and the holders of Series A and Series B-2 Preferred Stock are entitled to receive liquidation preferences at the rate of $1.00 per share plus all declared and unpaid dividends. Liquidation payments to the holders of Series B and Series A Preferred Stock have priority and are made in preference to any payments to the holders of common stock.

Conversion Rights. The shares of Series A Preferred Stock are convertible into shares of common stock at a conversion price of $0.90 per share and the shares of Series B, C and C-1 Preferred Stock are convertible into an equal number of shares of common stock. The shares of Series Preferred Stock are convertible at any time, at the option of the holder, subject to certain antidilutive adjustments. Each share of Series Preferred Stock is automatically converted into common stock (i) upon the affirmative election of the holders of at least a majority of the outstanding shares of the Series Preferred Stock, voting together as a single class on an as if converted basis, or (ii) immediately upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, in which the per share price is at least $1.63 (as adjusted), and the gross cash proceeds are at least $30.0 million.

Conversion of Preferred Shares and Warrants

In conjunction with the issuance of the convertible promissory notes in August 2013, and pursuant to the Purchase Agreement which required the parties to the Purchase Agreement to “pay to play,” one of the existing investors, and a related party, was not a participant in the debt financing and, as a result, the investor’s existing preferred shares and warrants to purchase shares of Series C Preferred Stock converted into common shares and warrants to purchase shares of common stock, respectively. The investor’s 3,000,000 shares of Series A Preferred Stock were converted at a price of $0.90 per share into 3,333,333 shares of common stock, and 10,925,197 shares of Series B and Series C Preferred Stock were converted into the same number of shares of common stock. The investor’s warrants to purchase 822,386 shares of Series C Preferred Stock at an exercise price of $0.65 per share were converted into the same number of warrants to purchase shares of common stock at the same warrant price per share, which resulted in an increase to additional paid-in capital of $14,000 at the time of the conversion. The fair value of the warrants for shares of common stock was determined using the Black-Scholes option pricing model with the following assumptions: a stock price volatility of 67.4%, an expected life equal to the remaining contractual term of the warrants of five years and a risk-free interest rate of 1.46%. The warrants are exercisable at any time through November 2018.

Common Shares

We have authorized 79.0 million shares of common stock, of which 17.4 million shares were issued and outstanding at December 31, 2014. Common shares reserved for future issuance upon the exercise, issuance or conversion of the respective equity instruments at December 31, 2014 are as follows:

(in thousands)	
Convertible preferred stock	42,208
Issued and Outstanding:	
Stock options	8,718
Warrants for shares of convertible preferred stock and common stock	2,885
Shares reserved for future award grants	399
Total	54,210

Warrants for Shares of Preferred and Common Stock

A summary of the activity related to our warrants during the year ended December 31, 2014 is as follows:

	Shares Subject to Warrants (in thousands)	Weighted-Average Warrant Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Warrants to Purchase Shares of Series C Preferred Stock				
Outstanding at January 1, 2014	1,775	$ 0.65		
Issued	288	$ 0.65		
Outstanding and exercisable at December 31, 2014	2,063	$ 0.65	4.7	$ —
Warrants to Purchase Shares of Common Stock				
Outstanding and exercisable at December 31, 2013 and 2014	822	$ 0.65	3.8	$ —

8. Equity Incentive Plan

Our 2006 Equity Incentive Plan (the "Plan") provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, and rights to purchase restricted stock to our employees, nonemployee directors and consultants. Recipients of incentive stock options shall be eligible to purchase shares of our common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of options granted under the Plan is ten years. As of December 31, 2014, awards for up to 9.1 million shares of common stock are reserved for issuance under the Plan, of which 8.7 million are reserved for issuance upon exercise of granted and outstanding options and 0.4 million shares are available for future grants. In April 2015, we increased the number of shares reserved and available for issuance under the Plan by 3.8 million shares.

Stock Options

Stock options granted to employees and nonemployees generally vest over a four-year period and have a maximum term of ten years from the date of grant, subject to earlier cancellation prior to vesting upon cessation of service to the Company. A summary of the activity related to stock option awards during the year ended December 31, 2014 is as follows:

	Shares Subject to Options (in thousands)	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2014	7,209	$ 0.17		
Granted	1,997	$ 0.10		
Forfeitures and cancellations	(488)	$ 0.11		
Outstanding and exercisable at December 31, 2014	8,718	$ 0.16	7.5	$ 463
Options vested or expected to vest at December 31, 2014	7,724	$ 0.16	7.3	$ 409

Total cash received from the exercise of stock options was $4,000 during the year ended December 31, 2013.

All stock option grants under the Plan provide for exercise of the stock option prior to vesting. Shares of common stock issued upon exercise of unvested options are subject to repurchase by us at the respective original exercise price until vested. Consideration received for the exercise of unvested stock options is recorded as a liability and reclassified into equity as the related award vests.

Stock-Based Compensation Expense

The estimated fair value of each stock option award was determined on the date of grant using the Black-Scholes option valuation model with the following assumptions for options granted to employees during the years ended December 31, 2013 and 2014:

	Year Ended December 31,	
	2013	2014
Risk-free interest rate	1.5%-1.6%	2.0%
Expected volatility	71.0%-72.5%	66.8%
Dividend Yield	0%	0%
Expected term (in years)	6.1-9.9	6.1
Weighted-average grant date fair value per share	$ 0.06	$ 0.15

We determine the appropriate, risk free interest rate, expected term for employee stock based awards, contractual term for nonemployee stock based awards, and volatility assumptions. The weighted-average expected option term for employee stock based awards reflects the application of the simplified method, which defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. The weighted average expected term for nonemployee stock based awards is the remaining contractual life of the award. Estimated volatility incorporates historical volatility of similar entities whose share prices are publicly available. The risk free interest rate is based upon U.S. Treasury securities with remaining terms similar to the expected or contractual term of the share based payment awards. The assumed dividend yield is based on our expectation of not paying dividends in the foreseeable future.

Total non-cash stock-based compensation expense for all stock awards that was recognized in the statements of operations is as follows:

	Year Ended December 31,	
(in thousands)	2013	2014
Research and development	$ 84	$ 87
General and administrative	67	73
Total	$ 151	$ 160

At December 31, 2014, there was $478,000 of unrecognized compensation cost related to unvested stock option awards, which is expected to be recognized over a remaining weighted average vesting period of 2.9 years.

9. Employee Benefit Plan

We have a defined-contribution 401(k) plan for our employees. Employees are eligible to participate in the plan beginning on the first day of the month following date of hire. Under the terms of the plan, employees may make voluntary contributions as a percentage of compensation and we have the option to make a discretionary match as determined by the board of directors, within prescribed limits. There were no employer contributions to the plan during the years ended December 31, 2013 or 2014.

10. Commitments and Contingencies

Operating Leases

We lease our facility under a non-cancellable operating lease, which expires in August 2016. The lease contains one option to renew for an additional five-year period.

Rent expense during each of the years ended December 31, 2013 and 2014 was $368,000. At December 31, 2014, deferred rent aggregated $222,000, of which $128,000 is included in other current liabilities and $94,000 is included in noncurrent liabilities in the accompanying balance sheet. At December 31, 2014, the future minimum annual obligations under non-cancellable operating lease commitments are $496,000 and $346,000, respectively.

License Agreements

We have entered into collaborative license agreements that provide us with rights to use certain know-how, technology and patent rights maintained by the licensors in our research and development efforts. Terms of the license agreements may require us to make upfront payments, milestone payments upon the achievement of certain product research and development objectives and royalty payments on fees received under our sublicensing arrangements and/or future sales, if any, of commercial products resulting from the collaboration. Certain of the licensing agreements require guaranteed minimum annual payments. Terms of the licensing agreements generally range from the remaining life of the patent up to 17 years and, in some cases, may be subject to earlier termination by either party upon specified circumstances.

Total expense incurred under all collaborative licensing agreements for upfront, milestone and royalty payments during the years ended December 31, 2013 and 2014 was $239,000 and $162,000 and, respectively. Total cash paid under these agreements during the years ended December 31, 2013 and 2014 was $98,000 and $227,000, respectively.

Future minimum guaranteed payment obligations for annual royalty payments under all such agreements at December 31, 2014 aggregated $208,000.

Letter of Credit

At December 31, 2013 and 2014, we were contingently liable for a standby letter of credit issued by a commercial bank for $110,000 and $85,000, respectively, for security on our lease. A restricted cash account with these amounts was held as cash collateral for the letter of credit.

Litigation

We are, from time to time, involved in legal proceedings, regulatory actions, claims and litigation arising in the ordinary course of business. Currently, we are not a defendant in any lawsuit.

11. Income Taxes

Significant components of our deferred tax assets and liabilities are as follows:

	December 31,	
(in thousands)	**2013**	**2014**
Deferred Tax Assets:		
Net operating loss carryforwards	$ 18,379	$ 16,480
Research and development credits	2,003	2,285
Other, net	352	220
Total deferred tax assets	20,734	18,985
Deferred Tax Liabilities:		
Fixed assets	(183)	(149)
Convertible promissory note	(480)	—
Total deferred tax liabilities	(663)	(149)
Net deferred tax assets	20,071	18,836
Less: valuation allowance	(20,071)	(18,836)
Deferred tax assets, net of valuation allowance	$ —	$ —

We have recorded a full valuation allowance against our net deferred tax assets due to the uncertainty surrounding the realization of such assets. Management has determined it more likely than not that the deferred tax assets are not realizable due to our historical loss position.

At December 31, 2014, we have federal and state net operating loss carryforwards ("NOL") of $41.4 million each. The federal and state NOLs will begin to expire in 2027 and 2017, respectively, unless previously utilized. At December 31, 2014 we had federal and California research tax credit carryforwards of $1.6 million and $1.4 million, respectively. The federal research tax credit carryforward will begin to expire in 2026 and the California state credits carryforward indefinitely.

The above NOL carryforward and the research tax credit carryforwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986, and similar state provisions if we experience one or more ownership changes which would limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change as defined by Section 382 and 383, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. We have not completed an IRC Section 382/382 analysis. If a change in ownership were to have occurred, NOL and tax credits carryforwards could be eliminated or restricted. If eliminated, the related asset would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance. Due to the existence of the valuation allowance, limitations created by future ownership changes, if any, will not impact our effective tax rate.

The differences between the United States federal statutory tax rate and our effective tax rate are as follows:

	Year Ended December 31,	
	2013	2014
Statutory United States federal income tax rate	34.0%	34.0%
State income tax, net of federal benefit	6.3	6.3
Preferred stock warrant liabilities	3.8	0.6
Research credits	3.9	(8.0)
Other	(1.3)	2.1
Valuation allowance	(46.7)	(35.0)
Effective income tax rate	— %	— %

We recognize a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely than not recognition at the effective date to be recognized. At December 31, 2013 and 2014, we had no unrecognized tax benefits that, if recognized and realized, would affect the effective tax rate due to the valuation allowance against deferred tax assets. The following table summarizes the activity related to our unrecognized tax benefits:

	Year Ended December 31,	
(in thousands)	2013	2014
Balance at the beginning of the year	$ —	$ 258
Increase related to current year tax positions	29	31
Increase related to prior year tax positions	229	—
Balance at the end of the year	$ 258	$ 289

We do not anticipate there will be a significant change in unrecognized tax benefits within the next 12 months.

Our policy is to recognize interest and penalties related to income tax matters in the provision for income taxes. As of December 31, 2013 and 2014, there were no interest or penalties on uncertain tax benefits.

We file income tax returns in the United States and California. Due to our losses incurred, we are essentially subject to income tax examination by tax authorities from inception to date.

12. Subsequent Event

We have evaluated subsequent events from the balance sheet date through June 5, 2015, the date at which the financial statements were originally issued, except for the split of Series B and Series B-1 Preferred Stock described in the following paragraph.

On July 13, 2015, we amended and restated our certificate of incorporation to effect the split of Series B and Series B-1 Preferred Stock into ten shares for every nine shares outstanding. The financial statements and accompanying footnotes have been retroactively restated to reflect the Series B and Series B-1 Preferred Stock splits.

ANAPTYSBIO, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value data)

	December 31, 2014	June 30, 2015	Pro Forma Stockholders' Equity at June 30, 2015
			(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 22,188	$ 16,894	
Receivable from collaborative partner	1,455	2,757	
Prepaid expenses and other current assets	758	1,426	
Total current assets	24,401	21,077	
Property and equipment, net	579	588	
Restricted cash	85	85	
Other assets	—	541	
Total assets	$ 25,065	$ 22,291	
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	$ 415	$ 765	
Accrued expenses	1,052	1,550	
Notes payable, current portion	—	634	
Deferred revenue	10,085	7,395	
Other current liabilities	129	135	
Total current liabilities	11,681	10,479	
Notes payable, net of current portion	4,793	4,214	
Deferred revenue	1,935	—	
Deferred rent	94	25	
Preferred stock warrant liabilities	569	1,720	$ —
Commitments and contingencies			
Series A convertible preferred stock, $0.001 par value, 3,015 shares authorized, no shares issued or outstanding at December 31, 2014 or June 30, 2015	—	—	—
Series B convertible preferred stock, $0.001 par value, 27,743 shares authorized, 27,743 shares issued and outstanding at December 31, 2014 and June 30, 2015; aggregate liquidation preference of $24,991 at June 30, 2015	28,220	28,220	—
Series C convertible preferred stock, $0.001 par value, 17,982 shares authorized, 11,147 shares issued and outstanding at December 31, 2014 and June 30, 2015; aggregate liquidation preference of $7,246 at June 30, 2015	6,452	6,452	—
Series C-1 convertible preferred stock, $0.001 par value, 10,500 shares authorized, 3,318 shares issued and outstanding at December 31, 2014 and June 30, 2015; aggregate liquidation preference of $6,470 at June 30, 2015	2,156	2,156	—
Stockholders' equity (deficit):			
Common stock, $0.001 par value, 79,000 shares authorized, 17,368 and 17,811 shares issued and outstanding at December 31, 2014 and June 30, 2015, respectively; 60,019 issued and outstanding, pro forma at June 30, 2015	17	18	60
Additional paid in capital	14,407	14,697	53,203
Accumulated deficit	(45,259)	(45,690)	(45,690)
Total stockholders' equity (deficit)	(30,835)	(30,975)	$ 7,573
Total liabilities, convertible preferred stock and stockholders' deficit	$ 25,065	$ 22,291	

See accompanying notes to unaudited consolidated financial statements.

ANAPTYSBIO, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Six Months Ended June 30,	
	2014	2015
Collaboration revenue	$ 5,979	$ 8,979
Operating expenses:		
Research and development	3,878	6,389
General and administrative	1,230	1,626
Total operating expenses	5,108	8,015
Income from operations	871	964
Other income (expense), net		
Interest expense	(29)	(229)
Interest expense, related parties	(1,241)	—
Change in fair value of liability for preferred stock warrants	(30)	(1,151)
Other income (expense)	1	(15)
Total other expense, net	(1,299)	(1,395)
Net loss	$ (428)	$ (431)
Net loss per common share, basic and diluted	$ (0.02)	$ (0.02)
Weighted-average number of shares outstanding, basic and diluted	17,368	17,583
Pro forma net loss per common share, basic and diluted		$ (0.01)
Pro forma weighted-average number of shares outstanding, basic and diluted		59,791

See accompanying notes to unaudited consolidated financial statements.

ANAPTYSBIO, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2014	2015
OPERATING ACTIVITIES		
Net loss	$ (428)	$ (431)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	156	146
Stock-based compensation	74	222
Change in fair value of liability for preferred stock warrants	30	1,151
Noncash interest expense	1,270	55
Loss (gain) on disposal of property and equipment	(1)	2
Changes in operating assets and liabilities:		
Receivable from collaborative partners	(1,206)	(1,302)
Prepaid expenses and other assets	(141)	(668)
Accounts payable and other liabilities	188	239
Deferred revenue	13,472	(4,625)
Net cash provided by (used in) operating activities	13,414	(5,211)
INVESTING ACTIVITIES		
Proceeds from sale of investment securities available for sale	5	—
Purchases of property and equipment	(94)	(112)
Net cash used in investing activities	(89)	(112)
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	—	69
Payments for deferred offering costs	—	(40)
Net cash provided by financing activities	—	29
Net increase (decrease) in cash	13,325	(5,294)
Cash and cash equivalents, beginning of period	2,810	22,188
Cash and cash equivalents, end of period	$16,135	$16,894
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Amounts accrued for property and equipment	$ —	$ 45
Amounts accrued for deferred financing costs	$ —	$ 501

See accompanying notes to unaudited consolidated financial statements.

ANAPTYSBIO, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and basis of Presentation

AnaptysBio, Inc. ("we," "us," "our," or the "Company") was incorporated in the state of Delaware in November 2005. We are a biotechnology company developing first-in-class antibody product candidates focused on unmet medical needs in inflammation and immuno-oncology. We develop our product candidates using our proprietary, antibody discovery technology platform ("SHM-XEL"), which is designed to replicate, *in vitro*, the natural process of antibody generation. We currently generate revenue from our collaborative research and development arrangements.

Basis of Presentation and Liquidity

The accompanying consolidated financial statements include the Company and its wholly-owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Since our inception, we have devoted our primary effort to raising capital and research and development activities, and have incurred losses and negative cash flows from operations and have an accumulated deficit at June 30, 2015 of $45.7 million. All of our financial support has been provided primarily from the sale of our common and preferred stock and proceeds from the issuance of convertible debt and notes payable. As of June 30, 2015, however, following the execution of a significant strategic collaboration in 2014, we have positive working capital. Going forward, as we continue our expansion, we may seek additional financing and/or strategic investments. However, there can be no assurance that any additional financing or strategic investments will be available to us on acceptable terms, if at all. If events or circumstances occur such that we do not obtain additional funding, we will most likely be required to reduce our plans and/or certain discretionary spending, which could have a material adverse effect on our ability to achieve our intended business objectives. The accompanying consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been omitted. The accompanying unaudited consolidated financial statements include all known adjustments necessary for a fair presentation of the results of interim periods as required by GAAP. These adjustments consist primarily of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. Actual results may materially differ from these estimates. Operating results for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. The financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2014, included elsewhere in this prospectus.

Unaudited Pro Forma Stockholders' Equity

Prior to the closing of the offering contemplated by this prospectus, we expect all of our convertible preferred stock outstanding to convert into shares of common stock at the then applicable conversion rate. The unaudited pro forma stockholders' equity is based on the assumed conversion of shares of convertible preferred stock outstanding at June 30, 2015.

2. Significant Accounting Policies

Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and

accompanying notes. Significant estimates in the consolidated financial statements have been made for preferred stock warrant liabilities and stock-based compensation. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents consist primarily of money market and mutual funds with original maturities of 90 days or less.

Restricted Cash

At December 31, 2014 and June 30, 2015, we held restricted cash of $85,000, used to secure a letter of credit provided as security for our operating lease for our facility.

Deferred Offering Costs

During the six months ended June 30, 2015, we incurred an aggregate of $0.5 million in direct costs related to our July 2015 Series D Convertible Preferred Stock financing and anticipated public offering of common stock. These costs were deferred and recorded as a long-term asset at June 30, 2015.

Revenue Recognition

Revenue is recognized in accordance with revenue recognition accounting guidance, which requires that four basic criteria be met before revenue can be recognized: 1) persuasive evidence that an arrangement exists; 2) delivery has occurred and title and the risks and rewards of ownership have been transferred to the client or services have been rendered; 3) the price is fixed or determinable; and 4) collectability is reasonably assured.

Multiple-Element Revenue Arrangements. We evaluate deliverables in a multiple-element arrangement to determine whether each deliverable represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. If the delivered element does not have standalone value without one of the undelivered elements in the arrangement, we combine such elements and account for them as a single unit of accounting. We allocate the consideration to each unit of accounting at the inception of the arrangement based on the relative selling price.

We recognize consideration allocated to an individual element when all other revenue recognition criteria are met for that element. Our multiple-element revenue arrangements may include the following:

- **License arrangements**. The deliverables under our collaboration and license agreements generally include exclusive or nonexclusive licenses to one or more products generated using our technologies. As the delivered licenses have not historically had standalone value apart from the undelivered elements, these have been recognized as revenue as a combined unit of accounting. Accordingly, we recognize revenue from nonrefundable upfront fees in the same manner as the undelivered item(s), which is generally the period over which we provide research and development services.
- **Research and Development Services.** The deliverables under our collaboration and license arrangements may include research and development services we perform on behalf of or with our collaborators. As the provision of research and development services is an integral part of our operations and we may be principally responsible for the performance of these services under the agreements, we recognize revenue on a gross basis for research and development services as we perform those services. Additionally, we recognize research related funding under collaboration research and development efforts as revenue as we perform or deliver the related services in accordance with contract terms.

Milestone Revenue. Our collaboration and license agreements generally include contingent contractual payments related to achievement of specific research, development and regulatory milestones and sales-based milestones that are dependent upon the performance of the licensor or collaborator. A milestone is defined as an event (i) that can only be achieved based in whole or in part on either the entity's performance or on the occurrence of a specific outcome resulting from the entity's performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved and (iii) that would result in additional payments being due to us. Contingent consideration for which payment is either contingent solely upon the passage of time or the result of a counterparty's performance is not considered substantive.

We recognize consideration that is contingent upon the achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone is substantive in its entirety. A milestone is considered substantive when it meets all of the following criteria:

- The consideration is commensurate with either the entity's performance to achieve the milestone or the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone;
- The consideration relates solely to past performance; and
- The consideration is reasonable relative to all of the deliverables and payment terms within the arrangement.

Milestones that are not considered substantive are generally recognized in the same manner as the undelivered item(s), which is generally the period over which we provide research and developments services.

Stock-Based Compensation

We recognize stock-based compensation expense using a fair-value-based method for costs related to all share-based payments, including stock options. Stock-based compensation cost for stock options granted to our employees and directors is measured at the grant date based on the fair-value of the award which is estimated using the Black-Scholes option-pricing model, and is recognized as expense over the requisite service period on a straight-line basis. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate option forfeitures prior to vesting and record stock-based compensation expense only for those awards that are expected to vest.

Options granted to individual service providers who are not employees or directors are accounted for at estimated fair values using the Black-Scholes option-pricing model and are subject to periodic remeasurement over the period during which the services are rendered.

No tax benefits for stock-based compensation have been recognized in the statements of cash flows. We have not recognized, and do not expect to recognize in the near future, any tax benefit related to stock-based compensation cost as a result of our full valuation allowance on our net deferred tax assets and net operating loss carryforwards.

Warrants for Shares of Preferred Stock

We account for warrants for shares of preferred stock with conversion features that provide for reductions in the warrant price as derivative liabilities in the accompanying balance sheets at their fair value on the date of issuance. The derivative liabilities are revalued at each balance sheet date until such instruments are exercised or expire, with changes in the fair value between reporting periods recorded as other income or expense.

Fair Value of Financial Instruments

Our financial instruments consist principally of cash, cash equivalents, restricted cash, receivables from collaborative partners, accounts payable, notes payable and preferred stock warrant liabilities.

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 on the measurement date. Accounting guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activities, therefore requiring an entity to develop its own assumptions.

Functional Currency of Foreign Operations

Our international subsidiary operates in a United States dollar ("U.S. dollar") functional currency environment. Assets and liabilities of our foreign subsidiary that are not denominated in the functional currency are remeasured into U.S. dollars at foreign currency exchange rates in effect at the balance sheet date except for nonmonetary assets and capital accounts, which are remeasured at historical foreign currency exchange rates in effect at the date of transaction. Expenses are generally remeasured at monthly foreign currency exchange rates which approximate average rates in effect during each period. Net realized and unrealized gains and losses from foreign currency transactions and remeasurement are reported in other income (expense), net, in the consolidated statements of operations and totaled $17,000 during the six months ended June 30, 2015.

Net Loss Per Common Share and Pro Forma Net Loss Per Common Share

Basic and diluted net loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period without consideration of common stock equivalents.

Computations for basic and diluted net loss per common share are below. The unaudited pro forma basic and diluted net loss per common share calculation assumes the conversion of all outstanding shares of convertible preferred stock into common stock as if such conversion had occurred on January 1, 2015 or the original issuance date, if later.

(in thousands, except per share data)	Net Loss (Numerator)	Shares (Denominator)	Amount
Six Months Ended June 30, 2014			
Basic and diluted net loss per common share:			
Net loss	$ (428)	17,368	$ (0.02)
Six Months Ended June 30, 2015			
Basic and diluted net loss per common share:			
Net loss	$ (431)	17,583	$ (0.02)
Pro Forma for the Six Months Ended June 30, 2015			
Basic and diluted net loss per common share:			
Net loss	$ (431)	17,583	
Pro forma adjustment to reflect the assumed conversion of convertible preferred shares	—	42,208	
Pro forma basic and diluted net loss per common share	$ (431)	59,791	$ (0.01)

Common stock equivalents issuable upon the conversion or exercise of dilutive securities that could potentially reduce net income per common share in the future that were excluded from the determination of diluted net loss per common share as their effects were antidilutive are as follows:

	Six Months Ended June 30,	
(in thousands)	2014	2015
Convertible preferred stock	40,549	42,208
Options to purchase common stock	7,155	8,472
Warrants to purchase preferred stock	1,775	2,064
Warrants to purchase common stock	822	822
Total	50,301	53,566

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance in FASB ASC 605, Revenue Recognition, including industry-specific guidance. This standard is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also requires additional disclosure about the nature, amount, timing and uncertainty of assets recognized from costs incurred to fulfill a contract and was originally effective for our annual reporting period beginning January 1, 2018, including interim periods within that reporting period, with adoption permitted as early as January 1, 2017. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. We are currently assessing the impact that this standard will have on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern*, which provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and the related footnote disclosure. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date financial statements are issued. When management identifies conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, this standard also outlines disclosures that are required in the footnotes to the financial statements based on whether or not there are any plans intended to mitigate the relevant conditions or events to alleviate the substantial doubt. This standard becomes effective for our annual reporting period ending December 31, 2016, and for annual and interim periods thereafter. Early application is permitted. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

3. Balance Sheet Accounts and Supplemental Disclosures

Property and Equipment

Property and equipment consist of the following:

(in thousands)	December 31, 2014	June 30, 2015
Laboratory equipment	$ 3,031	$ 3,177
Office furniture and equipment	565	570
Leasehold improvements	338	338
	3,934	4,085
Less: accumulated depreciation and amortization	(3,355)	(3,497)
Total property and equipment, net	$ 579	$ 588

Accrued Expenses

Accrued expenses consist of the following:

(in thousands)	December 31, 2014	June 30, 2015
Accrued compensation and related expenses	$ 588	$ 516
Accrued professional fees	—	460
Accrued research and contract manufacturing expenses	293	447
Other	171	127
Total accrued expenses	$ 1,052	$1,550

4. Collaborative Research and Development Agreements

TESARO Collaboration

In March 2014, we entered into a Collaboration and Exclusive License Agreement with TESARO, Inc. and TESARO Development, Inc. (collectively, “TESARO”), an oncology-focused biopharmaceutical company. Under the terms of the agreement, we agreed to perform certain discovery and early preclinical development of therapeutic antibodies with the goal of generating immunotherapy antibodies for subsequent preclinical, clinical, regulatory and commercial development to be performed by TESARO. Under the terms of the agreement, TESARO paid an upfront license fee of $17.0 million in March 2014 and agreed to provide funding to us for research and development services related to antibody discovery programs for three specific targets.

In November 2014, we and TESARO entered into Amendment No. 1 to the Agreement to add an antibody discovery program against a fourth target for an upfront license fee of $2.0 million.

For each development program, we are eligible to receive milestone payments of up to $18.0 million if certain clinical trial events are achieved by TESARO, up to an additional $90.0 million if certain U.S. and European regulatory submissions and approvals in multiple indications are achieved, and up to an additional $165.0 million upon the achievement of specified levels of annual worldwide net sales. We will also be eligible to receive tiered single-digit royalties related to worldwide net sales of products developed under the collaboration and certain commercial milestone payments if specified levels of annual worldwide net sales are attained. Unless earlier terminated by either party upon specified circumstances, the agreement will terminate, with respect to each specific developed product, upon the later of the 12th anniversary of the first commercial sale of the product or the expiration of the last to expire of any patent. In June 2015, TESARO notified us that they had initiated *in vivo* toxicology studies using good laboratory practices for our anti-PD-1 antagonist antibody (TSR-042), resulting in a $1.0 million milestone payment, which we received in July 2015.

We determined that the upfront license fees, milestone payments that are not considered substantive and research funding under the agreement, as amended, should be accounted for as a single unit of accounting, and that the upfront license fees and such milestone payments should be deferred and recognized as revenue over the same period that the research and development services are performed. As a result, the $17.0 million and $2.0 million license fees have been deferred and are being recognized as revenue ratably over the research periods specified in the contract of 24 and 16 months, respectively. In addition, we recognized revenue of $0.6 million during the six months ended June 30, 2015 for the achievement of the $1.0 million milestone, with the remaining $0.4 million of the milestone to be recognized ratably through the end of the specified contract, in March 2016. Revenue from the remaining contingent milestone payments will be recognized if and when such payments become due, subject to satisfaction of all of the criteria necessary to recognize revenue at that time.

Revenue recognized during the six months ended June 30, 2014 under the TESARO agreement aggregated $4.1 million, which includes $2.6 million for the amortization of the upfront fee and $1.5 million in funding for research and development services. Revenue recognized under this agreement aggregated $9.0 million during the six months ended June 30, 2015, which includes $5.6 million for the amortization of the upfront fees and milestone payment, and $3.4 million in funding for research and development services. Amounts receivable from TESARO at December 31, 2014 and June 30, 2015 were $1.5 million and $2.8 million, respectively. Deferred revenue for this agreement was $12.0 million and $7.4 million at December 31, 2014 and June 30, 2015, respectively.

Celgene Antibody Generation Agreement

In 2011, we entered into an Antibody Generation Agreement with Celgene Corporation (“Celgene”), under which we agreed to develop human therapeutic agents against multiple targets. We successfully delivered three antibodies against three targets under this agreement. The final deliverable under this agreement was completed in 2014. Under the terms of the agreement, Celgene agreed to pay an upfront fee of $6.0 million, followed by a success fee of $0.5 million upon successful delivery of therapeutic antibodies against each of the targets involved.

The upfront payment was recognized as revenue ratably over the estimated time to project completion through February 2014. Revenue recognized under this agreement during the six months ended June 30, 2014 aggregated $0.6 million and includes $0.5 million for a success fee and $92,000 for funding of research and development.

Momenta Antibody Generation Agreement

In December 2013, we entered into an Antibody Generation Agreement, which expired in 2014, with Momenta Pharmaceuticals, Inc. (“Momenta”) under which we agreed to generate certain antibodies with enhanced affinity specific for a particular target for use in the development of human therapeutic agents by Momenta. Under the terms of the agreement, Momenta agreed to pay an upfront fee of $1.1 million, followed by a $2.0 million success fee, which occurred in the third quarter of 2014.

The upfront payment was recognized as revenue ratably over the estimated time to project completion, or nine months, beginning January 2014 when the project commenced. Revenue recognized during the six months ended June 30, 2014 aggregated $0.7 million, which represents amortization of the upfront fee.

Other Collaborative Agreements

During the six months ended June 30, 2014, we recognized revenue from other collaborative partners aggregating $0.6 million, for the development of antibodies for specified targets. Revenue from these agreements consisted of a final payment and the amortization of upfront payments that were recognized as the related services were provided. Our obligations under these collaborative agreements were completed by the end of 2014.

5. Notes Payable

Notes Payable

In December 2014, we entered into a Loan and Security Agreement with a bank and a financial institution whereby we may borrow up to $15.0 million in three separate draws of $5.0 million each. The Term A Loans, for an aggregate of $5.0 million, were drawn on December 24, 2014. The Term B Loans for an aggregate of $5.0 million are available for draw through December 31, 2015, contingent upon our first multi-dose PK/toxicology studies on at least two development programs and the Term C Loans for an aggregate of $5.0 million are available for draw through December 31, 2016, contingent upon receiving FDA approval on IND submission on at least two development programs. The Term A Loans each bear a fixed rate of interest of 6.97% and are due in 12 monthly interest-only payments through January 2016, followed by 36 equal monthly principal and interest payments, with final maturity in January 2019.

Upon the issuance of the Term B Loans, the interest-only periods for both the Term A and B Loans are extended by six months through July 2016, followed by 30 equal monthly principal and interest payments, with final maturity of all Loans in January 2019. Upon the issuance of the Term C Loans, the interest-only periods for all Loans are further extended by six months through January 2017, followed by 24 equal monthly principal and interest payments, with final maturity of Loans in January 2019. If the Term B and C Loans are issued, they will bear interest at the greater of 6.95% or the 3-month LIBOR plus 6.72%.

The costs incurred to issue the Term A Loans of $85,000 were deferred and are included in the discount to the carrying value of the Term A Loans in the accompanying balance sheet. The Term A Loans also include a final payment fee of $250,000 due at the earlier of prepayment or the maturity date of the Term A Loans. The deferred costs and the final payment fee will be amortized to interest expense over the expected term of the Term A Loans using the effective interest method.

In connection with the Loan and Security Agreement, we issued detachable, fully vested warrants to purchase an aggregate of 288,462 shares of Series C Preferred Stock at an exercise price of $0.65 per share to the lenders, which are subject to change under anti-dilution provisions. The warrants are exercisable at any time through December 2024. The grant-date fair value of the warrants of $124,000 was recorded as a liability, and presented as an offset to the carrying value of the Term A Loans. The offset will be recognized as additional interest expense over the remaining term of the Loans. The initial fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: a stock price volatility of 70.2%, an expected life equal to the contractual term of the warrants of ten years and a risk-free interest rate of 1.97%.

At December 31, 2014 and June 30, 2015, the carrying amounts of the Term A Loans were both $4.8 million, net of discounts of $209,000 and $153,000, respectively. The effective interest rate on the Term A Loans at June 30, 2015 was 9.25%. As of June 30, 2015, future maturities of the Term A Loans were $1.4 million, $1.7 million, $1.8 million, and $153,000 in 2016, 2017, 2018 and 2019, respectively.

The Term A Loans are secured by a first priority interest in most of our assets, excluding intellectual property, with a net book value of $5.9 million at June 30, 2015. We are also required to maintain a minimum of 50% of our operating and investment account balances at all times with one of the lenders. At June 30, 2015, we were in compliance with the covenants contained in the Loan and Security Agreement.

6. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes our assets and liabilities that require fair value measurements on a recurring basis and their respective input levels based on the fair value hierarchy:

		Fair Value Measurements at End of Period Using:		
(in thousands)	Fair Value	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At December 31, 2014				
Money market funds(1)	$ 14,736	$ 14,736	$ —	$ —
Mutual funds(1)	7,227	7,227	—	—
U.S. treasury security(2)	90	90	—	—
Preferred stock warrant liabilities	569	—	—	569
At June 30, 2015				
Money market funds(1)	$ 9,236	$ 9,236	$ —	$ —
Mutual funds(1)	5,154	5,154	—	—
U.S. treasury security(2)	90	90	—	—
Preferred stock warrant liabilities	1,720	—	—	1,720

(1) Included in cash and cash equivalents in the accompanying balance sheets.
(2) Included in cash and cash equivalents and restricted cash in the accompanying balance sheets.

Marketable Securities. For fair values determined by Level 1 inputs, which utilize quoted prices in active markets for identical assets, the level of judgment required to estimate fair value is relatively low. The fair values of investments in money market funds, mutual funds and U.S. treasury securities were determined using Level 1 inputs.

Warrant Liabilities. Our preferred stock warrants are accounted for as derivative liabilities and measured at fair value on a recurring basis as they contain features that are either not afforded equity classification or embody risks that are not clearly and closely related to host contracts. We estimate fair values of these derivatives utilizing the Black-Scholes option-pricing model, which requires Level 3 inputs.

Estimating fair values of derivative financial instruments, including Level 3 instruments, require the use of significant and subjective inputs that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors, including changes in the estimated fair value of our equity securities.

The following weighted-average assumptions were employed in estimating the value of the liabilities for Series C Preferred Stock warrants using the Black-Scholes option-pricing model as of the following dates:

(in thousands)	December 31, 2014	June 30, 2015
Fair value of preferred stock	$ 0.58	$ 1.23
Exercise price	$ 0.65	$ 0.65
Risk-free interest rate	1.26%	1.37%
Volatility	61.3%	69.9%
Dividend Yield	0%	0%
Contractual term (in years)	4.8	4.3
Weighted-average measurement date fair value per share	$ 0.28	$ 0.83

Prior to 2015, we determined the fair value of our preferred stock warrants on an annual basis. In accordance with accounting guidance for interim reporting, we have recognized $30,000 as a ratable portion of the annual expense for the change in fair value in the statement of operations for the six months ended June 30, 2014.

A 10% increase in the fair values of preferred stock at December 31, 2014 and June 30, 2015 would result in increases in the estimated fair values of the preferred stock warrant liabilities of $89,000 and $226,000, respectively.

The following table summarizes the activity in liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 Inputs):

	Six Months Ended June 30,	
(in thousands)	2014	2015
Preferred Stock Warrant Liabilities:		
Beginning balance	$ (386)	$ (569)
Unrealized net losses included in other income (expense), net	(30)	(1,151)
Ending balance	$ (416)	$ (1,720)

Fair Value of Other Financial Instruments

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, receivable from collaborative partner, accounts payable and accrued expenses approximate fair value due to their short-term nature. The carrying amount of our notes payable of $4.8 million at June 30, 2015 approximates fair value due to the close proximity of their issuance in December 2014.

7. Equity Incentive Plan

Our 2006 Equity Incentive Plan (the “Plan”) provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, and rights to purchase restricted stock to our employees, nonemployee directors and consultants. Recipients of incentive stock options shall be eligible to purchase shares of our common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of options granted under the Plan is ten years. On April 29, 2015, our stockholders approved an amendment to the Plan which provided for an increase in the number of shares of common stock available for issuance under the plan by 3.8 million. As of June 30, 2015, awards for up to 12.5 million shares of common stock are reserved for issuance under the Plan, of which 8.7 million are reserved for issuance upon exercise of granted and outstanding options and 3.8 million shares are available for future grants.

Stock Options

Stock options granted to employees and nonemployees generally vest over a four-year period and have a maximum term of ten years from the date of grant, subject to earlier cancellation prior to vesting upon cessation of service to the Company. A summary of the activity related to stock option awards during the six months ended June 30, 2015 is as follows:

	Shares Subject to Options (in thousands)	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2015	8,718	$ 0.16		
Grant	534	$ 0.65		
Exercised	(443)	$ 0.15		
Forfeitures and cancellations	(152)	$ 0.15		
Outstanding and exercisable at June 30, 2015	8,657	$ 0.19	7.2	$ 6,951
Options vested or expected to vest at June 30, 2015	7,680	$ 0.19	7.2	$ 6,163

Total cash received from the exercise of stock options was $69,000 during the six months ended June 30, 2015.

All stock option grants under the Plan provide for exercise of the stock option prior to vesting. Shares of common stock issued upon exercise of unvested options are subject to repurchase by us at the respective original exercise price until vested. Consideration received for the exercise of unvested stock options is recorded as a liability and reclassified into equity as the related award vests.

Stock-Based Compensation Expense

The estimated fair values of stock option awards granted to employees were determined on the date of grant using the Black-Scholes option valuation model with the following assumptions:

	Six Months Ended June 30,	
(in thousands)	2014	2015
Risk-free interest rate	2.0%	1.4%
Expected volatility	66.8%	68.9%
Dividend Yield	0%	0%
Expected term (in years)	6.1	6.1
Weighted-average grant date fair value per share	$ 0.15	$ 0.40

We determine the appropriate, risk free interest rate, expected term for employee stock based awards, contractual term for nonemployee stock based awards, and volatility assumptions. The weighted-average expected option term for employee stock based awards reflects the application of the simplified method, which defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. The weighted average expected term for nonemployee stock based awards is the remaining contractual life of the award. Estimated volatility incorporates historical volatility of similar entities whose share prices are publicly available. The risk free interest rate is based upon U.S. Treasury securities with remaining terms similar to the expected or contractual term of the share based payment awards. The assumed dividend yield is based on our expectation of not paying dividends in the foreseeable future.

Total non-cash stock-based compensation expense for all stock awards that was recognized in the statements of operations is as follows:

(in thousands)	Six Months Ended June 30, 2014	2015
Research and development	$ 42	$ 175
General and administrative	32	47
Total	$ 74	$ 222

At June 30, 2015, there was $0.5 million of unrecognized compensation cost related to unvested stock option awards, which is expected to be recognized over a remaining weighted average vesting period of 3.3 years.

8. Subsequent Events

We have evaluated subsequent events from the balance sheet date through August 17, 2015, the date at which the financial statements were issued.

Amendments to Certificate of Incorporation and 2006 Equity Incentive Plan

On July 13, 2015, we amended our amended and restated certificate of incorporation to:

- increase the total number of shares authorized for issuance from 141,506,903 shares to 203,208,537 shares, of which 120,500,000 shares are designated as common stock and 82,708,537 shares are designated as preferred stock,
- eliminate the designation of Series A Preferred Stock,
- reduce the number of shares designated as Series B Preferred Stock from 28,991,125 shares to 25,524,510 shares,
- reduce the number of shares designated as Series C Preferred Stock from 17,982,024 to 13,210,753 shares,
- reduce the number of shares designated as Series C-1 Preferred stock from 10,500,000 shares to 3,318,054 shares,
- authorize the issuance of 38,436,851 shares Series D Convertible Preferred stock, and
- provide for the split of Series B and Series B-1 Preferred Stock into ten shares for every nine shares outstanding.

The consolidated financial statements and accompanying footnotes have been retroactively restated to reflect the Series B and Series B-1 Preferred stock splits.

The holders of the Series D Preferred Stock are entitled to: 1) one vote for each share of common stock into which the Series D Convertible Preferred Stock could then be converted, 2) receive noncumulative dividends at a rate of 8% per annum, which are in priority and preference to all other series of preferred stock and common stock, 3) in preference to all other series of preferred stock and common stock, distributions upon liquidation of $1.06 per share plus all declared and unpaid dividends, and 4) convert into an equal number of shares of common stock.

On July 9, 2015, we amended our 2006 Equity Incentive Plan to increase the number of shares reserved for issuance under the plan by 4,766,852 shares.

Issuance of Series D Convertible Preferred Stock

On July 13, 2015, we issued and sold 38,436,851 shares of Series D Convertible Preferred Stock at $1.06 per share for net proceeds of $40.6 million.

Grant of Stock Options

Subsequent to June 30, 2015, we granted options to purchase 5,496,050 shares of common stock at an exercise price of $0.99 per share.

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Shares

AnaptysBio, Inc.

Common Stock

PRELIMINARY PROSPECTUS

BMO Capital Markets

Stifel

JMP Securities

Wedbush PacGrow

, 2015

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, paid or payable by the Registrant in connection with the sale of the common stock being registered. All amounts shown are estimates except for the SEC registration fee and the FINRA filing fee:

	Amount Paid or to be Paid
SEC registration fee	$ *
FINRA filing fee	*
listing fee	*
Blue sky qualification fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be completed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the Delaware General Corporation Law are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

As permitted by the Delaware General Corporation Law, the Registrant's restated certificate of incorporation to be effective in connection with the closing of this offering contains provisions that eliminate the personal liability of its directors for monetary damages for any breach of fiduciary duties as a director, except liability for the following:

- any breach of the director's duty of loyalty to the Registrant or its stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law (regarding unlawful dividends and stock purchases); or
- any transaction from which the director derived an improper personal benefit.

As permitted by the Delaware General Corporation Law, the Registrant's restated bylaws to be effective upon the closing of this offering, provide that:

- the Registrant is required to indemnify its directors and executive officers to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions;
- the Registrant may indemnify its other employees and agents as set forth in the Delaware General Corporation Law;

- the Registrant is required to advance expenses, as incurred, to its directors and executive officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and
- the rights conferred in the restated bylaws are not exclusive.

Prior to the closing of this offering, the Registrant has entered into indemnification agreements with each of its current directors and executive officers to provide these directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Registrant's restated certificate of incorporation and restated bylaws and to provide additional procedural protections. There is no pending litigation or proceeding involving a director or executive officer of the Registrant for which indemnification is sought. Reference is also made to Section 9 of the underwriting agreement to be filed as Exhibit 1.1 to this registration statement, which provides for the indemnification of executive officers, directors and controlling persons of the Registrant against certain liabilities. The indemnification provisions in the Registrant's restated certificate of incorporation, restated bylaws and the indemnification agreements entered into or to be entered into between the Registrant and each of its directors and executive officers may be sufficiently broad to permit indemnification of the Registrant's directors and executive officers for liabilities arising under the Securities Act.

The Registrant currently carries liability insurance for its directors and officers.

Reference is made to the following documents filed as exhibits to this Registration Statement regarding relevant indemnification provisions described above and elsewhere herein:

Exhibit Document	Number
Form of Underwriting Agreement.	1.1
Form of Restated Certificate of Incorporation to be effective upon the closing of this offering.	3.2
Form of Restated Bylaws to be effective upon the closing of this offering.	3.4
Amended and Restated Investors' Rights Agreement dated July 13, 2015 among the Registrant and certain of its stockholders, as amended.	4.2
Form of Indemnification Agreement.	10.1

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The following lists set forth information regarding all securities sold or granted by us within the past three years that were not registered under the Securities Act, and the consideration, if any, received by us for such securities:

(a) Stock Option Grants

1. Between August 17, 2012 and August 17, 2015, the Registrant granted options to purchase 9,451,991 shares of common stock under our 2006 Equity Incentive Plan to our directors, officers, employees, consultants, and other service providers with per share exercise prices ranging from $0.10 to $0.99. In this same period, the Registrant issued 535,076 shares of common stock upon exercise of stock options previously issued under the 2006 Equity Incentive Plan to our directors, officers, employees, consultants, and other service providers for cash consideration in the aggregate amount of $88,235.26. The stock options and the common stock issuable upon the exercise of such options as described in this section (a) of Item 15 were issued pursuant to written compensatory plans or arrangements with the Company's employees and directors in reliance on the exemption provided by Rule 701 promulgated under the Securities Act. All recipients either received adequate information about the Company or had access, through employment or other relationships, to such information.

(b) Warrants to Purchase Common Stock

1. In August 2013, the Registrant issued a warrant to an accredited investor to purchase 822,386 shares of Registrant's common stock upon the conversion of warrant to purchase 822,386 shares of the Registrant's Series

C convertible preferred stock The common stock warrant has a per share exercise price of $0.65. The securities issued in this transaction were exempt from the registration requirements of the Securities Act in reliance upon Section 4(2) under the Securities Act.

(c) Sales and Conversion of Preferred Stock

1. In August 2013, the Registrant issued an aggregate of 14,258,530 shares of Registrant's common stock to an accredited investor upon the conversion of 3,000,000 previously-held shares of Series A convertible preferred stock and 6,019,065 previously-held shares of Series B convertible preferred stock. The securities issued in this transaction were exempt from the registration requirements of the Securities Act in reliance upon on Rule 506 promulgated under the Securities Act.

2. In August 2013, the Registrant issued a warrant to purchase 822,386 shares of Registrant's common stock upon the conversion of warrant to purchase 822,386 shares of the Registrant's Series C convertible preferred stock The warrant has a per share exercise price of $0.65. The securities issued in this transaction were exempt from the registration requirements of the Securities Act in reliance upon on Rule 506 promulgated under the Securities Act.

3. In April 2014, the Registrant issued an aggregate of 3,318,054 shares of the Registrant's Series C-1 convertible preferred stock at a purchase price of $0.65 per share for an aggregate purchase price of $2.2 million to 12 purchasers that represented to us that they are each a sophisticated accredited investor and qualified institutional buyer. The securities issued in this transaction were exempt from registration requirements of the Securities Act in reliance on Rule 506 promulgated under the Securities Act.

4. In July 2015, the Registrant issued an aggregate of 38,436,851 shares of the Registrant's Series D convertible preferred stock at a purchase price of $1.06 per share for an aggregate purchase price of $40.8 million to 19 purchasers that represented to us that they are each a sophisticated accredited investor and qualified institutional buyer. The securities issued in this transaction were exempt from registration requirements of the Securities Act in reliance on Rule 506 promulgated under the Securities Act.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions or any public offering, and the Registrant believes each transaction was exempt from the registration requirements of the Securities Act as stated above. All recipients of the foregoing transactions either received adequate information about the Registrant or had access, through their relationships with the Registrant, to such information. Furthermore, the Registrant affixed appropriate legends to the share certificates and instruments issued in each foregoing transaction setting forth that the securities had not been registered and the applicable restrictions on transfer.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

See Exhibit Index immediately following signature page.

(b) Financial Statement Schedules.

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or notes.

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 whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(a) purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, 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 San Diego, California, on the day of , 2015.

ANAPTYSBIO, INC.

By: _____
Hamza Suria
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Hamza Suria and Robert E. Hoffman, and each of them, as his or her true and lawful attorneys-in-fact, proxies and agents, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or her might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies and agents, or their or 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, 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
Hamza Suria	President, Chief Executive Officer and Director (Principal Executive Officer)	, 2015
Robert E. Hoffman	Chief Financial Officer (Principal Accounting and Financial Officer)	, 2015
Tiba Aynechi, Ph.D.	Director	, 2015
Carol G. Gallagher, Pharm.D.	Director	, 2015
Nicholas B. Lydon, Ph.D., FRS	Director	, 2015
Hollings Renton	Director	, 2015
John Schmid	Director	, 2015
James N. Topper, M.D., Ph.D.	Director	, 2015

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EXHIBIT INDEX

Exhibit Number	Description of Document
1.1†	Form of Underwriting Agreement, including Form of Lock-Up Agreement.
3.1*	Amended and Restated Certificate of Incorporation, as amended to date, as currently in effect.
3.2†	Form of Restated Certificate of Incorporation to be effective upon the closing of this offering.
3.3*	Bylaws, as currently in effect.
3.4†	Form of Restated Bylaws to be effective upon the closing of this offering.
4.1†	Form of Common Stock Certificate.
4.2*	Fourth Amended and Restated Investors' Rights Agreement, dated July 13, 2015, by and among the Registrant and certain of its stockholders.
5.1†	Opinion of Fenwick & West LLP.
10.1†	Form of Indemnification Agreement.
10.2*	2006 Equity Incentive Plan and forms of award agreements.
10.3†	2015 Equity Incentive Plan, to become effective on the date the registration statement is declared effective, and forms of award agreements.
10.4†	2015 Employee Stock Purchase Plan, to become effective on the date the registration statement is declared effective, and forms of award agreements.
10.5*	Employment Agreement, effective as of January 1, 2012, by and between the Registrant and Hamza Suria, as amended.
10.6*	Employment Agreement, effective as of January 1, 2012, by and between the Registrant and David King, as amended.
10.7*	Consulting Agreement, dated as of May 1, 2015, by and between the Registrant and David King.
10.8*	Employment Agreement, effective as of October 20, 2014, by and between the Registrant and Marco Londei.
10.9*	Office Lease, dated April 19, 2011, by and between the Registrant and Kilroy Realty, L.P.
10.10+	Antibody Generation Agreement, dated December 22, 2011, by and between the Registrant and Celgene Corporation, as modified.
10.11+	Collaboration and Exclusive License Agreement, dated March 10, 2014, by and among the Registrant, TESARO, Inc. and TESARO Development, Ltd., as amended.
10.12+	License Agreement, dated August 30, 2006, by and between the Registrant and Medical Research Council, as amended.
10.13+	Non-Exclusive Research and Commercial License Agreement, dated May 15, 2009, by and between the Registrant and Millipore Corporation.
10.14*	Loan and Security Agreement, dated December 24, 2014, by and among the Registrant, Oxford Finance LLC and Silicon Valley Bank.
21.1*	Subsidiaries of the Registrant.
23.1†	Consent of KPMG LLP, an independent registered public accounting firm.
23.2†	Consent of Fenwick & West LLP (included in Exhibit 5.1).
24.1†	Power of Attorney. Reference is made to the signature page hereto.

* Filed previously.
† To be filed by amendment.
+ Registrant has omitted and filed separately with the SEC portions of the exhibit pursuant to a confidential treatment request under Rule 406 promulgated under the Securities Act.

EXHIBIT 10.10

[*] Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

ANTIBODY GENERATION AGREEMENT

This ANTIBODY GENERATION AGREEMENT is entered into and effective as of December 2011 (the "***Effective Date***"), by and between **ANAPTYSBIO, INC.**, a Delaware corporation ("***AnaptysBio***"), having its principal place of business at 10421 Pacific Center Court, Suite 200, San Diego, CA 92121, and CELGENE CORPORATION, a Delaware corporation (together with its subsidiaries and affiliates hereinafter collectively referred to as "***Client***"), having its principal place of business at 86 Morris Avenue, Summit, NJ 07901.

WHEREAS, AnaptysBio possesses proprietary technology useful for the discovery, modification, optimization and humanization of antibodies; and

WHEREAS, Client wishes to have AnaptysBio apply such technology to one or more biological targets and/or antibodies selected by Client for the purpose of generating antibodies for use in the development of human therapeutic agents.

NOW THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. DEFINED TERMS.

1.1 "**Accounting Standards**" shall mean (a) GAAP (United States Generally Accepted Accounting Principles); or (b) IFRS (International Financial Reporting Standards), in either case, consistently applied.

1.2 "**Affiliate**" shall mean any entity that, directly or indirectly through one or more intermediaries, is controlled by, controlling, or under common control with a party hereto, for so long as such control exists, and shall include any entity more than 50% of whose voting stock or participating profit interest is owned or controlled, directly or indirectly, by a party, and any entity which owns or controls, directly or indirectly, more than 50% (or such lesser percentage that is the maximum allowed to be owned by a foreign entity in a particular jurisdiction) of the voting stock of a party. As used in this Section 1.1, "control" means to possess, directly or indirectly, the power to direct the management and policies of an entity, whether through ownership of voting securities or by contract relating to voting rights or corporate governance.

1.3 "**AnaptysBio Platform**'' shall mean AnaptysBio's proprietary technology that is generally applicable to the discovery, modification, optimization and/or humanization of antibodies and/or other proteins, and/or nucleic acids relating thereto (including, without

limitation, the expression, manufacture and formulation of any of the foregoing), such as, but not limited to, software, nucleic acids, vectors, cell lines, libraries, screening systems, reagents, methods, databases and instrumentation that, in each case, is Controlled by AnaptysBio on or after the Effective Date. The AnaptysBio Platform shall exclude Client Technology.

1.4 "**AnaptysBio Technology**" shall mean: (a) to the extent Controlled by AnaptysBio on the Effective Date or during the Research Period, all Information relating to the AnaptysBio Platform; and (b) all patent and other intellectual property rights in any of the foregoing. Without limiting the generality of the foregoing, AnaptysBio Technology shall include any such Information generated, discovered or developed in whole or in part by employees or agents of AnaptysBio in performing any Project, or otherwise generated, discovered or developed in whole or in part by employees or agents of AnaptysBio during the term of this Agreement; in each case, to the extent any of the foregoing: (i) relate or apply to the AnaptysBio Platform, improvements to the AnaptysBio Platform, or the use of the AnaptysBio Platform or any such AnaptysBio Platform improvements; or (ii) are generally applicable to the discovery, modification, optimization or humanization of proteins and nucleic acids (including, without limitation, the expression and manufacture thereof). AnaptysBio Technology shall exclude Client Technology.

1.5 "**Antibody**" shall mean any immunoglobulin molecule, or fragment thereof, whether in monospecific or other form, and shall include any immunoglobulin fragment (such as Fv, Fab, F(ab')2) containing one or more complementarity determining regions (CDRs) or framework regions (FRs)), any fusion protein comprising an immunoglobulin molecule or immunoglobulin molecule fragment and any single chain antibody (such as scFv), any truncation of any of the foregoing, or any derivative or modification of any of the foregoing.

1.6 "**BLA**" shall mean a biologics license application, as defined in the United States Federal Food, Drug and Cosmetic Act of 1938, as amended from time to time, and all rules, regulations and guidance promulgated thereunder, or any successor application thereto, or any foreign equivalent application, registration, certification or approval that is required prior to the marketing, distribution, sale and/or other commercial exploitation of a biological product for human use in a regulatory jurisdiction.

1.7 "**Client Antibody**" shall mean, with respect to a particular Project, the starting Antibody (if any) identified in the applicable Research Plan.

1.8 "**Client Assay**" shall mean, with respect to a particular Project, any assay identified in the applicable Research Plan that is to be transferred by Client to AnaptysBio (if any).

1.9 "**Client Information**" shall mean, with respect to a particular Project: (a) the Information (other than chemical or biological materials) identified in the applicable Research Plan that is to be provided by Client to AnaptysBio in connection with such Project, and (b) any additional Information disclosed by Client to AnaptysBio in connection with Client's transfer to AnaptysBio of the Client Materials for such Project.

1.10 "**Client Materials**" shall mean, with respect to a particular Project, collectively, the chemical or biological samples of Client Antibody and Client Target to be provided, and the Client Assay(s) to be transferred, by Client to AnaptysBio for use in the performance of such Project, each as set forth in the applicable Research Plan.

1.11 "**Client Results**" shall mean, with respect to a particular Project, effective only upon and from such time as Client has made full and timely payment of the Success Fee for such Project to AnaptysBio:

(a) any and all data and results generated, discovered or developed by or on behalf of Client as a result of performing the Evaluation (but excluding AnaptysBio Technology); and

(b) any and all data and results generated, discovered or developed by or on behalf of Client after payment of the Success Fee using any Delivered Antibody(ies) and/or Delivered Antibody Information.

1.12 "**Client Target**" shall mean, with respect to a particular Project, the biological target identified in the applicable Research Plan.

1.13 "**Client Technology**" shall mean: (a) Client Materials and Client Information; (b) if applicable, Client Results; and (c) all patent and other intellectual property rights in any of the foregoing.

1.14 "**Confidential Information**" shall mean all Information, tangible or intangible, whether in written, graphic, oral, visual or electronic form, that is disclosed or made available by one party to the other party under this Agreement and is not subject to the exceptions set forth in Section 5.2. Confidential Information provided by a party to the other party in written, graphic or electronic form shall be marked "Confidential." Confidential Information initially provided by a party to the other party orally or visually shall be summarized in a writing marked "Confidential" which shall be delivered to the other party within 30 days after the initial oral or visual disclosure.

1.15 "**Controlled**" shall mean, with respect to any Information or intellectual property rights, possession by a party of the ability (whether by ownership, license or otherwise) to grant a license or a sublicense of or under such Information or intellectual property rights without violating the terms of any agreement or other arrangement with any Third Party.

1.16 "**Delivered Antibody**" shall mean, with respect to a particular Project, any Antibody resulting from AnaptysBio's performance of such Project that is delivered to Client pursuant to Section 2.3(a).

1.17 "Delivered Antibody Information" shall mean, with respect to a particular Project: [*], as more fully described in the applicable Research Plan.

1.18 "**Delivered Antibody Inventions**" shall have the meaning provided in Section 4.4(a).

1.19 "**Delivered Antibody Patents**" shall mean all patents and patent applications claiming or disclosing any Delivered Antibody Invention(s).

1.20 "**Evaluation**" shall have the meaning provided in Section 2.4(a).

1.21 "**Evaluation Period**" shall have the meaning provided in Section 2.4(a).

1.22 "**Excluded Costs**" shall mean, with respect to a particular Project: (a) the reasonable out-of-pocket costs of specialized reagents, supplies or equipment, or specialized services performed by Third Party subcontractors of AnaptysBio, that, in each case, are needed specifically for such Project but are not generally required for other similar projects AnaptysBio performs on behalf of Third Parties; and (b) all reasonable out-of-pocket travel costs pre-approved by Client, that are in compliance with Client's travel policy, and incurred by AnaptysBio in the event that Client requests, and AnaptysBio agrees, that any AnaptysBio personnel provide technical assistance at any location other than AnaptysBio's facilities in connection with such Project.

1.23 "**First Commercial Sale**" shall mean the first sale of a Product by Client or any of its Affiliates, licensees or sublicensees to a Third Party for end use or consumption in a country after the governing health regulatory authority of such country has granted marketing approval (*e.g.*, BLA approval) with respect to such Product. Sale to an Affiliate or to a licensee or sublicensee of Client or any of its Affiliates shall not constitute a First Commercial Sale.

1.24 "**Information**" shall mean know-how, trade secrets, data, inventions, proprietary software, works of authorship, designs, techniques, methods, processes, formulations, structure and other information relating to compounds, compositions, specifications, reagents, ideas and information.

1.25 "**Joint Invention**" shall mean any invention, whether or not patentable, that is made jointly (as determined in accordance with U.S. laws of inventorship) by one or more employees, consultants or contractors of Client and one or more employees, consultants or contractors of AnaptysBio, in the course of activities undertaken pursuant to this Agreement; but, in each case, excluding AnaptysBio Technology and Client Technology.

1.26 "**Joint Patents**" shall have the meaning provided in Section 4.4(b).

1.27 "**Materials**" shall have the meaning provided in Section 2.6.

1.28 "**Net Sales**" shall mean [*].

1.29 "**Phase 1 Trial**" shall mean a human clinical trial that would satisfy the requirements for a Phase 1 study as defined in 21 CFR § 312.21(a) (or its successor regulation) or any foreign equivalent thereof.

1.30 "**Phase 2 Trial**" shall mean a human clinical trial that would satisfy the requirements for a Phase 2 study as defined in 21 CFR § 312.21(b) (or its successor regulation) or any foreign equivalent thereof.

***Confidential Treatment Requested.**

1.31 "**Phase 3 Trial**" shall mean a human clinical trial that would satisfy the requirements for a Phase 3 study as defined in 21 CFR § 312.2l(c) (or its successor regulation) or any foreign equivalent thereof.

1.32 "**Product**" shall mean any product, composition, method, device, or service (a) that comprises, contains or uses any Delivered Antibody (or any derivative or modification of a Delivered Antibody), in whole or in part, or (b) the manufacture, use, sale, offer for sale or import of which is covered by any Delivered Antibody Patent.

1.33 "**Project**" shall mean a project directed to either [*].

1.34 "**Project Goals**" shall mean, with respect to a particular Project, the specific design goals with respect to binding affinity and specificity of the Antibodies to be generated and characterized by AnaptysBio in such Project, as set forth in the applicable Research Plan.

1.35 "**Remaining Materials**" shall mean any and all biological or chemical materials derived from the Client Materials in the course and as a result of performance of a Project by or on behalf of AnaptysBio. Notwithstanding the foregoing, Remaining Materials shall exclude the Delivered Antibodies.

1.36 "**Research Period**" shall mean the period commencing on the Effective Date and, subject to earlier termination of this Agreement in accordance with Article 7, [*]

1.37 "**Research Plan**" shall have the meaning provided in Section 2.1(b).

1.38 "**Results**" shall mean, with respect to a particular Project: (a) any and all data and results generated, discovered or developed by or on behalf of AnaptysBio in the course and as a result of performance of such Project, which data and results relate specifically and solely to the applicable Client Materials, Client Information and/or Delivered Antibodies; and (b) any and all data and results generated is covered or developed by or on behalf of Client as a result of performing the Evaluation of Delivered Antibodies from such Project (it being understood that upon payment of the Success Fee for such Project to AnaptysBio, the data and results described in this clause (b) shall be deemed Client Results). Notwithstanding the foregoing, the Results shall exclude the AnaptysBio Technology and the Client Technology.

1.39 "**Subject AnaptysBio Patent**" shall mean any patent application or patent within the AnaptysBio Technology that:

(a) claims any invention that AnaptysBio either (i) used in generating a particular Delivered Antibody assigned to Client hereunder, or (ii) incorporated into a particular Delivered Antibody assigned to Client hereunder; and

(b) would, in the absence of a license thereunder, be infringed by the manufacture, use, sale, offer for sale or import of such Delivered Antibody.

1.40 "**Success Fee**" shall have the meaning provided in Section 3.3.

1.41 "**Success Fee Due Date**" shall mean, with respect to a particular Project, the date that is [*] after expiration of the Evaluation Period and receipt of invoice for such Project. Notwithstanding the foregoing, if, prior to expiration of the Evaluation Period for a Project, Client exercises its rights under Section 2.4(b) with respect to such Project, then the "Success Fee Due Date" shall be the date that is [*].

1.42 "**Third Party**" shall mean any entity other than AnaptysBio or Client or an Affiliate of AnaptysBio.

1.43 "**Valid Claim**" means a claim of an issued patent that has not expired or been revoked, held invalid or unenforceable by a patent office, court or other governmental agency of competent jurisdiction in a final and non-appealable judgment (or judgment from which no appeal was taken within the allowable time period), or a claim within a patent application that has not been revoked, cancelled, withdrawn, held invalid or abandoned and which has not been pending for more than [*] years from its first priority filing date.

2. STEERING COMMITTEE, PROJECTS AND DELIVERABLES.

2.1 Steering Committee and Projects.

(a) Steering Committee. A steering committee (hereinafter the "***Steering Committee***") shall be formed within [*] after the Effective Date, as further described at Exhibit B.

(b) Approval of Projects. During the Research Period, AnaptysBio shall perform the [*] Projects for Client attached hereto as Exhibit A (the "***Research Plan***") and the Projects described therein (the "***Projects***"). During the performance of a Project, [*]. If AnaptysBio disputes in good faith that a proposed substitute Project is feasible, AnaptysBio shall so notify Client within [*] after receipt of the Project Notice, and the parties shall confer in good faith regarding the matter, [*]. In addition, in the event AnaptysBio [*]. Unless AnaptysBio provides notice as set forth above that [*], which shall be in a form acceptable to the parties and shall specify the following information for such substitute Project:

[*]

(c) Research Plans. Each Research Plan shall be subject to all of the terms and conditions of this Agreement, in addition to the specific details set forth in such Research Plan. To the extent any terms of a Research Plan conflict with the terms of this Agreement, the terms of this Agreement shall control, unless and only to the extent that such Research Plan expressly states the intent of the parties that the Research Plan supersede this Agreement with respect to a specific matter. Each fully-executed Research Plan shall be deemed incorporated herein by reference, and a copy thereof shall be attached to this Agreement. Any changes to a Research Plan shall be in writing, executed by an authorized representative of each party, attached to the original Research Plan, and incorporated herein and therein by reference.

(d) Exclusivity. On a Project-by-Project basis, commencing on acceptance of the Research Plan for each Project and expiring on, as applicable, [*]; except for the activities under this Agreement, AnaptysBio shall not [*]. Notwithstanding the preceding sentence or any

other provision of this Agreement to the contrary, AnaptysBio shall at all times be free to conduct, participate in, or fund, directly or indirectly, alone or with any Third Party, any activities directed to the discovery, research or commercialization of Antibodies that: [*].

2.2 Transfer and Use of Client Materials and Information. As promptly as practicable after mutual written approval of the Research Plan for each substitute Project (or after the Effective Date in the case of the Projects), Client shall deliver to AnaptysBio the Client Materials and the Client Information for such Project as specified in the applicable Research Plan.

2.3 Performance of Projects; Substitution of Projects; Deliverables. On a Project-by-Project basis, promptly following receipt of the Client Materials and Client Information for a Project, AnaptysBio shall use commercially reasonable efforts to perform such Project, as described in the applicable Research Plan. In the event that the research term of the Project exceeds [*] or a substitute Project is agreed to by the parties under Section 2.l(b), and the combined research term of the Project and substitute Project exceed [*], the parties agree to negotiate in good faith additional funding payments for the time period that is in excess of [*]. In addition, such substitute Project shall not be counted as an additional Project. AnaptysBio may perform some Project activities through one or more subcontractors, provided that AnaptysBio shall at all times be fully responsible for the compliance of its subcontractors with this Agreement. Promptly following AnaptysBio's completion of its responsibilities under each Research Plan, AnaptysBio shall:

(a) deliver to Client the Antibodies generated and characterized in the course of the performance of the applicable Project that meet the Project Goals; [*]; and

(b) provide a written report to Client setting forth, for each Delivered Antibody from such Project, [*].

For the avoidance of doubt, AnaptysBio shall have no obligation: (A) to generate or characterize Antibodies other than as expressly set forth in the Research Plans; (B) to deliver to Client any Antibodies other than as expressly set forth in Section 2.3(a); (C) to disclose to Client any Results with respect to any Antibody other than the Delivered Antibody Information with respect to the Delivered Antibodies; or (D) to disclose to Client any Information regarding the AnaptysBio Platform.

2.4 Client Evaluation of Delivered Antibodies.

(a) Evaluation. Commencing upon Client's receipt of the Delivered Antibodies and Delivered Antibody Information from each Project and for a period of [*] thereafter, or such extended time period as may mutually agreed by the parties (the "***Evaluation Period***"), Client will [*]. Client may conduct the Evaluation either directly or indirectly through its Affiliate(s), agent(s), consultant(s) and/or subcontractor(s), provided that Client shall at all times be fully responsible for the compliance of its Affiliate(s), agent(s), consultant(s) and/or subcontractor(s) with this Agreement and, prior to providing any Delivered Antibody or Delivered Antibody Information to any agent, consultant or subcontractor, shall obtain the written agreement of such agent, consultant or subcontractor to be bound by clauses (ii) and (iii)

of Section 2.5(a). Unless Client notifies AnaptysBio in writing on or before the end of the Evaluation Period for a Project that Client in good faith believes that [*]. In addition, regardless of whether or not Client has completed any or all Evaluation activities by the end of the Evaluation Period for a Project, Client shall not have the right to deliver a notice to AnaptysBio that the Project Goals for such Project have not been met unless Client has generated data during such Evaluation Period, through performance of Evaluation activities, to support its contention that none of such Delivered Antibodies meets the Project Goals. If Client notifies AnaptysBio in writing by the end of the Evaluation Period for a Project that Client in good faith believes that [*].

(b) Independent Laboratory Determination. If Client notifies AnaptysBio in writing by the end of the Evaluation Period for a Project that Client in good faith believes that [*] of the Delivered Antibodies] from such Project do not meet the Project Goals, and AnaptysBio in good faith does not agree that [*] of the Delivered Antibodies from such Project do not meet the Project Goals, then [*]. The parties will initially share the costs of the independent laboratory's analysis on an equal basis in accordance with a pre-agreed budget and maximum cost for such activities, but the party in whose favor the independent laboratory rules shall be entitled to have its share of such costs reimbursed by the other party promptly following such determination.

2.5 Use of Delivered Antibodies, Information and Results.

(a) Prior to Success Fee Due Date. On a Project-by-Project basis, until the Success Fee Due Date for a Project (or, if this Agreement is earlier terminated in accordance with Article 7, until such termination), except as expressly set forth in Sections 2.5(b) and 2.5(c):

(i) AnaptysBio shall solely own all rights in the Delivered Antibodies and Delivered Antibody Information resulting from such Project and associated Results;

(ii) each party shall treat such Delivered Antibodies and Delivered Antibody Information as Confidential Information of the other party in accordance with Article 5;

(iii) Client covenants that: (1) except as expressly permitted by Section 2.4, it will not conduct or have conducted on its behalf, nor cause or allow any Affiliate or Third Party to conduct, any study of any such Delivered Antibody or related Product; (2) Client will not use any such Delivered Antibody or Delivered Antibody Information for any purpose other than the Evaluation; and (3) except as expressly permitted by Section 2.4, Client will not transfer or disclose, or cause to be transferred or disclosed, any such Delivered Antibody, Delivered Antibody Information, or Results to any Affiliate or to any Third Party; and

(iv) AnaptysBio shall not use any such Delivered Antibody, Delivered Antibody Information or Results for any purpose other than performance of such Project.

(b) Success Fee Timely Paid. On a Project-by-Project basis, if Client pays the Success Fee for a Project in full on or before the applicable Success Fee Due Date (or, if this Agreement is earlier terminated in accordance with Article 7, prior to such termination), then effective upon such payment:

(i) ownership of the Delivered Antibodies and Delivered Antibody Information from such Project and all associated Results shall be assigned solely to Client pursuant to, and subject to the terms and conditions of, Section 4.1;

(ii) AnaptysBio shall treat such Delivered Antibodies, Delivered Antibody Information and Results as Confidential Information of Client in accordance with Article 5; and

(iii) AnaptysBio shall destroy all Results of such Project (other than the Delivered Antibodies and Delivered Antibody Information) and all Remaining Client Materials from such Project.

(c) Success Fee Not Timely Paid. On a Project-by-Project basis, if Client fails to pay the Success Fee for a Project in full on or before the applicable Success Fee Due Date (or, if this Agreement is earlier terminated in accordance with Article 7, prior to such termination), then effective as of such Success Fee Due Date (or such earlier termination, as applicable):

(i) neither party shall file, or cause to be filed, any Delivered Antibody Patent with respect to any Delivered Antibody Invention from such Project;

(ii) Client and AnaptysBio shall immediately destroy all Delivered Antibodies from such Project and, except as expressly set forth in Section 7.4(b), all associated Delivered Antibody Information and Results, and AnaptysBio shall destroy all Remaining Client Materials from such Project, and, in each case, certify such destruction in writing to the other party;

(iii) the Delivered Antibodies and Delivered Antibody Information from such Project and all associated Results shall be considered Confidential Information of both parties; and

(iv) each of Client and AnaptysBio hereby covenants that it will not (either directly or through any Affiliate or Third Party) develop, make, have made, use, sell, have sold, offer for sale or import any such Delivered Antibody or any Product based thereon, or otherwise exploit the associated Delivered Antibody Information or Results.

2.6 Materials Transfer. In connection with a Project, a party may provide to the other party certain biological or chemical materials, including, but not limited to, Client Materials and Delivered Antibodies (collectively, "***Materials***"). Except as otherwise expressly set forth in this Agreement , all such Materials will remain the sole property of the providing party, will be used only in furtherance of the activities expressly contemplated by this Agreement, will not be used or delivered to or for the benefit of any Third Party (except, in the case of AnaptysBio, in connection with the subcontracting of Project activities in accordance with Section 2.3) without the prior written consent of the providing party, and will be used in compliance with all applicable laws, rules and regulations. The Materials supplied under this Agreement must be used with prudence and appropriate caution in any experimental work because not all of their characteristics may be known. Except as expressly set forth herein, THE MATERIALS ARE PROVIDED "AS IS" AND WITHOUT ANY REPRESENTATION OR

WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR ANY WARRANTY THAT THE USE OF THE MATERIALS WILL NOT INFRINGE OR VIOLATE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTY.

3. PAYMENTS.

3.1 Initial Fee. Client shall pay to AnaptysBio a one-time, non-refundable, non-creditable initial fee of [*].

3.2 Reimbursement for Excluded Costs.

(a) On a Project-by-Project basis Client shall reimburse AnaptysBio for [*] Except as expressly set forth in such Research Plan, AnaptysBio shall issue written, reasonably detailed invoices to Client for such Excluded Costs on a monthly basis, and Client shall pay each such invoice in full within [*] of receipt.

3.3 Success Fee. On a Project-by-Project basis, Client shall pay to AnaptysBio [*]:

[*]

3.4 Milestone Payments. Subject to the limitations set forth below, within [*] following the first occurrence of each of the events set forth below with respect to each Product arising from a Project, Client shall provide written notice to AnaptysBio of the occurrence of such event and shall pay to AnaptysBio the corresponding milestone payment set forth below (whether such milestone is achieved by Client, its Affiliate or any of their respective licensees or sublicensees):

Milestone Event	Milestone Payment
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
Total per Product	**[*]**

On a Project-by-Project basis, each of the milestone payments set forth above shall be payable: (a) only once per Product, regardless of the number of times a particular Product achieves any milestone set forth above; and (b) only two times per Project, for the first two Products to achieve any milestone set forth above, regardless of the number of Products from such Project that achieve the milestones set forth above; such that the maximum amount payable

under this Section 3.4 for each Project shall be [*]. With respect to any particular milestone event set forth above, from and after such time as the corresponding milestone payment has been paid for two Products arising from a Project, Client shall have no further obligation to notify AnaptysBio of the achievement of such milestone event by any other Product arising from such Project or to pay any additional milestone payment for any such achievement. For purposes of the foregoing milestones, "initiation" of a clinical trial shall mean [*]. Each of the foregoing milestone payments shall be payable only one time for the first and second Product arising from a Project and shall not be payable on any additional Products arising from the Project.

3.5 Royalties. Client shall pay to AnaptysBio a royalty equal to [*] percent [*]% of Net Sales of Products. Royalties under this Section 3.5 shall be payable on a Product-by-Product and country-by-country basis from the First Commercial Sale of a Product in a country until the later of [*] (the "***Royalty Term***"). In the event Client obtains a license under any issued patent of a Third Party in a country for which license Client is obligated to pay such Third Party a royalty on sales of a Product in such country, then Client may offset [*] percent ([*]%) of the royalties actually paid to such Third Party under such patent license with respect to sales of such Product in such country against the royalties due AnaptysBio under this Agreement with respect to Net Sales of such Product in such country, provided that in no event shall the effective royalty rate applicable to Net Sales of such Product in such country hereunder be reduced below [*]% as a result of all such offsets in the aggregate. For the avoidance of doubt, royalties shall be payable only once with respect to the same unit of Product. On a Product-by-Product and country-by-country basis, upon expiration of the Royalty Term for a Product in a country, Client's licenses and rights hereunder with respect to such Product in such country shall continue in effect, but become fully paid-up, royalty-free, transferable, perpetual and irrevocable.

3.6 Applicability of Payment Obligations. Client acknowledges and agrees that all milestone and royalty payment obligations as set forth in Sections 3.4 and 3.5 shall apply notwithstanding the sale, license, transfer or other disposition by Client of any of its rights with respect to any Delivered Antibody, Product, Delivered Antibody Information or Delivered Antibody Patent. Moreover, Client shall at all times be and remain liable for any and all fees and payments that may become due hereunder with respect to any Delivered Antibody or Product, regardless of whether Client has sold, licensed, transferred or otherwise disposed of any of its rights with respect to such Delivered Antibody or Product or any Delivered Antibody Information or Delivered Antibody Patent to any Affiliate or Third Party. Prior to selling, licensing, transferring or otherwise disposing of any of Client's rights with respect to any Delivered Antibody, Product, Delivered Antibody Information or Delivered Antibody Patent to any Affiliate or Third Party, Client shall obtain the written agreement of such Affiliate or Third Party, for the benefit of AnaptysBio, to be bound by Sections 3.4 through 3.12 of this Agreement to the same extent as Client, and Client shall provide prompt written notice of any such sale, license, transfer or other disposition to AnaptysBio, including the identity of the applicable Delivered Antibody(ies), Product(s), Delivered Antibody Information and/or Delivered Antibody Patent and the identity of the purchaser, licensee, transferee or other recipient thereof. Client shall ensure that any such transfer arrangement is consistent with the terms of this Agreement.

3.7 Third Party Patents. Except as expressly set forth in Section 4.3(b), Client shall be solely responsible for obtaining such licenses under Third Party patent or other intellectual

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property rights as Client determines are necessary or desirable for the manufacture, use, sale, offer for sale or import of Delivered Antibodies or Products, at Client's sole expense.

3.8 Payment; Reports. Royalties shall be calculated and reported for each calendar quarter and shall be paid within [*] after the end of each calendar quarter. Each payment shall be accompanied by a report of [*].

3.9 Exchange Rate; Manner and Place of Payment. All payments hereunder shall be payable in U.S. dollars and shall be made by electronic funds transfer in immediately available funds to a bank and account designated in writing by AnaptysBio, unless otherwise specified in writing by AnaptysBio. When conversion of payments from any foreign currency is required, such conversion shall be made at the rate of exchange used by Client throughout its accounting system for the applicable calendar quarter.

3.10 Income Tax Withholding. AnaptysBio will pay any and all taxes levied on account of any payments made to it under this Agreement. If any taxes are required to be withheld by Client, Client will (a) deduct such taxes from the payment made to AnaptysBio, (b) timely pay the taxes to the proper taxing authority, (c) send proof of payment to AnaptysBio (and, if such tax authority provides a receipt for such payment to Client, a copy of such receipt), and (d) reasonably assist AnaptysBio in its efforts to obtain a credit for or refund of such tax payment.

3.11 Records and Audit Rights. During the Term and for a period of [*] years thereafter, Client shall keep (and shall cause its Affiliates, licensees and sublicensees to keep) complete and accurate records pertaining to the sale or other disposition of Products in sufficient detail to permit AnaptysBio to confirm the accuracy of all royalty payments due hereunder. AnaptysBio shall have the right to cause an independent, certified public accountant reasonably acceptable to Client to audit such records to confirm Net Sales and royalty payments for a period covering not more than the preceding [*] full calendar years. Such audits may be exercised during normal business hours upon reasonable prior written notice to Client. All information received or learned in connection with such audit shall be Confidential Information of Client and shall be subject to Article 5, provided that AnaptysBio may use and disclose such information to the extent necessary to prepare its financial statements. Prompt adjustments shall be made by the parties to reflect the results of such audit. AnaptysBio shall bear the full cost of such audit unless such audit discloses an underpayment by Client of more than [*]% of the amount due under this Agreement, in which case, Client shall bear the full cost of such audit and shall promptly remit to AnaptysBio the amount of any underpayment.

3.12 Late Payments. In the event that any payment due under this Agreement is not made when due, the payment shall accrue interest from the date due at the rate of [*]% per month (or, if lower, the maximum legal annual interest rate). The payment of such interest shall not limit AnaptysBio from exercising any other rights it may have as a consequence of the lateness of any payment.

4. INTELLECTUAL PROPERTY RIGHTS.

4.1 Delivered Antibodies. Subject to the terms and conditions of this Agreement, on a Project-by-Project basis, and effective only upon payment in full of the Success Fee for a Project on or before the applicable Success Fee Due Date (or, if this Agreement is earlier terminated in accordance with Article 7, prior to such termination), AnaptysBio hereby assigns to Client all right, title and interest of AnaptysBio in and to the Delivered Antibodies and Delivered Antibody Information from such Project, and the Results of the Evaluation thereof, including all intellectual property rights in any of the foregoing. Client acknowledges and agrees that, notwithstanding any assignment by AnaptysBio to Client of any Delivered Antibody, Delivered Antibody Information and/or any Results of the Evaluation, or any further assignment, license or transfer by Client to any Affiliate or Third Party of any rights in any Delivered Antibody, Product, Delivered Antibody Information and/or Results of the Evaluation, all Delivered Antibodies and Products shall be and remain subject to the milestone and royalty payment obligations set forth in Sections 3.4 and 3.5, respectively.

4.2 AnaptysBio Technology. AnaptysBio shall at all times be and remain the sole and exclusive owner of the AnaptysBio Technology and shall have no obligation to deliver, make available or disclose to Client any AnaptysBio Technology. AnaptysBio shall be free, in its sole discretion, to seek patent or other intellectual property protection of AnaptysBio Technology. Except as expressly set forth in Section 4.3, nothing in this Agreement shall be construed as granting to Client any right or license in any AnaptysBio Technology or any other intellectual property rights of AnaptysBio.

4.3 Freedom to Operate.

(a) Subject AnaptysBio Patents. Subject to the terms and conditions of this Agreement (including Sections 3.4 and 3.5 above and Section 4.3(b) below), on a Project-by-Project basis, to the extent necessary, and effective only upon the effectiveness of the assignment set forth in Section 4.1 for a Project, AnaptysBio shall, and it hereby does, grant to Client a non-exclusive, worldwide, royalty-bearing license under the Subject AnaptysBio Patents associated with a particular Delivered Antibody from such Project, solely to make, have made, use, sell, have sold, offer for sale, and import such Delivered Antibody and related Products for all uses and purposes. The foregoing license will include the right to sublicense solely in conjunction with the grant by Client to a Third Party of a license to make, have made, use, sell, have sold, offer for sale, or import a Product based on such Delivered Antibody. For the avoidance of doubt, the license granted pursuant to this Section 4.3(a) excludes (i) the right to use any AnaptysBio Technology for the purpose of modifying any Antibody (including, without limitation, any Delivered Antibody), and (ii) the right to make, have made, use, sell, have sold, offer for sale, or import any Antibody other than a Delivered Antibody that has been assigned to Client pursuant to Section 4.1 and its related Products.

(b) In-Licensed Patents. With regard to any Subject AnaptysBio Patent licensed to Client pursuant to Section 4.3(a) that is licensed to AnaptysBio by [*]. Subject to mutual execution by the parties of a sublicense agreement with respect to an In-Licensed Patent, AnaptysBio shall be responsible for any payments that may be due to Licensor(s) as a result of Client's practice of the invention(s) claimed by such In-Licensed Patent within the scope of such sublicense.

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4.4 Patents.

(a) Delivered Antibody Patents. Subject to the terms and conditions of this Agreement, on a Project-by-Project basis and effective only upon effectiveness of the assignment set forth in Section 4.1 for a Project, Client shall have the exclusive right, in its sole discretion and at its own expense, to file and prosecute any patent applications, and to maintain, defend and enforce any resulting patents, claiming or disclosing any Delivered Antibody or Delivered Antibody Information from such Project, any associated Product, or any method of making or using any of the foregoing (collectively, "***Delivered Antibody Inventions***"). [*]

(b) Joint Patents. For the avoidance of doubt, the parties do not anticipate that there will be any Joint Inventions, as they anticipate that inventions and information resulting from activities under this Agreement are most likely to fall within the scope of AnaptysBio Technology, Client Technology or Delivered Antibody Inventions. However, in the event that any Joint Invention is made, the parties shall mutually agree, on a case-by-case basis, [*]

4.5 Cooperation. The parties shall cooperate in good faith to accomplish the intent of Sections 4.1 and 4.4 and to enable each party to exercise its rights and perform its responsibilities under such Sections, including the execution of all such documents and instruments and the performance of such acts (and causing its relevant employees to execute such documents and instruments and to perform such acts) as may be reasonably necessary in order to permit each party to exercise such rights and perform such obligations.

4.6 No Implied Licenses. No right or license under any Information or intellectual property right of either party is granted or shall be granted by implication hereunder. All such rights or licenses are or shall be granted only as expressly provided in this Agreement.

5. PROTECTION OF CONFIDENTIAL INFORMATION.

5.1 Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the parties, the parties agree that a party (referred to as the "receiving party' shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement any Confidential Information of the other party. Each party may use the other party's Confidential Information only to the extent required to accomplish the purposes of this Agreement. Each party may disclose Confidential Information of the other party to those of such party's employees, directors, contractors and consultants who have a need for such information, provided that such party shall advise such employees, directors, contractors and consultants of the confidential nature thereof, shall insure that each such employee, director, contractor or consultant is bound by obligations of confidentiality at least as stringent as those contained in this Agreement and shall be responsible for the compliance of its employees, directors, contractors and consultants with the terms of this Agreement. Each party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own (but in no event less than reasonable care) to ensure that its employees, directors, contractors and consultants do not disclose or make any unauthorized use of the other party's Confidential Information. Each party will promptly

notify the other upon discovery of any unauthorized use or disclosure of the other party's Confidential Information.

5.2 Exceptions. Confidential Information shall not include any information that the receiving party can prove by competent evidence: (a) was already known to the receiving party prior to receipt from the other party other than as a result of performance of a Project; (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, other than through any act or omission of the receiving party in breach of this Agreement; (d) was disclosed to the receiving party, other than under an obligation of confidentiality, by a Third Party with the lawful right to make such disclosure; or (e) was independently discovered or developed by the receiving party without access to and without the aid, use or application of any Confidential Information disclosed or made available to the receiving party by the other party.

5.3 Authorized Disclosure. Notwithstanding Section 5.1, a party may disclose Confidential Information of the other party, without violating its obligations under this Agreement, to the extent the disclosure is necessary in the following instances:

(a) filing or prosecuting patent applications as permitted by this Agreement;

(b) prosecuting or defending litigation as permitted by this Agreement;

(c) exercising rights expressly granted to such party hereunder;

(d) enforcing the provisions of this Agreement; or

(e) complying with a valid order of a court or other governmental body having jurisdiction or with applicable law; provided that, if legally permissible and to the extent practicable under the circumstances, such party gives reasonable prior written notice to the other party of such required disclosure and, at the other party's request and expense, cooperates with the other party's efforts to contest such required disclosure, and/or to obtain a protective order preventing or limiting the disclosure and/or requiring that the Confidential Information so disclosed be used only for the purposes for which the law or regulation requires, or for which the order was issued, and/or to obtain other confidential treatment of such information.

5.4 Use of Names; Blinded Data. Neither party shall use the other party's name or trademarks in any advertising, sales, or promotional material or in any publication without the prior written consent of the other party. Notwithstanding the preceding sentence or any other provision of this Article 5, the parties agree that for the purposes of promoting or otherwise highlighting the advantages of the AnaptysBio Technology, AnaptysBio may publish (or cause to be published) or otherwise disclose (or cause to be disclosed) to Third Parties, blinded data relating to Results, Delivered Antibodies and/or Delivered Antibody Information (such data to be limited to the number of projects, the types of projects, number and diversity of Antibodies generated or matured, binding affinity of Antibodies generated or matured, functional assay data, and number and types of mutations observed), at any time during or subsequent to the Term, provided that neither Client nor any Client Target, Client Antibody or Delivered Antibody shall be identified, directly or indirectly, in connection therewith.

5.5 Confidentiality of this Agreement. This Agreement and its terms are considered Confidential Information of both parties, and each party shall keep confidential and shall not publish or otherwise disclose this Agreement or its terms without the prior written consent of the other party, except as expressly permitted by Section 5.3, Section 5.4 or Section 5.6, and except that AnaptysBio may disclose this Agreement and its terms to actual or potential investors, strategic partners, acquirers and merger candidates on a confidential basis.

5.6 Publicity. Except as required by judicial order or applicable law, neither party shall make any public announcement concerning this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, from and after such time as Client begins publicly disclosing or discussing Client's interest and/or efforts in the development of antibodies, AnaptysBio may issue one or more press releases concerning, or otherwise publicly disclose or discuss, the existence of this Agreement and/or the achievement of significant development and regulatory milestones by Products arising from this Agreement, after good faith consultation between the parties with respect to the text and timing of any such press release (or content and timing of any such other public disclosure or discussion) and subject to Client's prior approval, which shall not be unreasonably withheld.

6. REPRESENTATIONS AND WARRANTIES; DISCLAIMER; LIMITATION OF LIABILITY.

6.1 Mutual Representations and Warranties. Each party represents and warrants to the other that: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof; (b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder; and (c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound.

6.2 Limited Services Warranty. AnaptysBio's sole warranty with respect to each Project is that AnaptysBio will perform such Project with due care and in accordance with applicable laws and regulations (including, without limitation, laws and regulations relating to health, safety and the environment, fair labor practices, unlawful discrimination and animal welfare), (b) the terms and conditions contained herein and (c) generally prevailing industry standards.

6.3 Disclaimer. Except as expressly set forth herein, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES. Without limiting the generality of the foregoing, Client acknowledges and• agrees that AnaptysBio does not make, and that AnaptysBio hereby disclaims, any representation or warranty (a) that the Project Goals will be achieved by any Antibody generated in the course of any Project, (b) as to the safety or usefulness for any purpose of the AnaptysBio Technology or any Delivered Antibody, Delivered Antibody Information or other Results, or (c) that any Delivered Antibody, Product, Delivered

Antibody Information or other Results will be acceptable to any regulatory governmental agency to which they are presented or that Client will be able to market or otherwise exploit any Delivered Antibody or Product.

6.4 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF SECTION 4.1, 4.3 OR 4.4, OR ARTICLE 5 HEREOF, IN NO EVENT SHALL EITHER PARTY BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING, WITHOUT LIMITATION, LOST PROFITS AND THE COST OF PROCUREMENT OF SUBSTITUTE GOODS, TECHNOLOGY OR SERVICES, IN CONNECTION WITH THIS AGREEMENT, EVEN IF THE OTHER PARTY HAD NOTICE OF THE POSSIBILITY OF SUCH DAMAGES; provided, however, that the foregoing shall not be construed to limit either party's indemnification obligations under Article 8. [*]

7. TERMINATION.

7.1 Term. The term of this Agreement (the "***Term***") shall commence on the Effective Date and, subject to earlier termination of this Agreement in accordance with this Article 7, shall continue until:

(a) the Success Fee Due Date for the last Project initiated during the Research Period, unless Client has timely paid the Success Fee for at least one Project on or before the Success Fee Due Date for such last Project; or

(b) if Client pays the Success Fee for at least one Project on or before the applicable Success Fee Due Date, the expiration of the last-to-expire of all Royalty Terms with respect to all Products associated with any Project for which Client obtained the assignment set forth in Section 4.1.

7.2 Termination of Agreement for Material Breach. Each party shall have the right to terminate this Agreement upon 60 days' prior written notice to the other party upon or after the material breach of any provision of this Agreement by the other party if the breaching party has not cured such breach by the end of such 60-day period.

7.3 Termination by Client At Will. Client shall have the right, at any time prior to delivery to Client of the Delivered Antibodies and Delivered Antibody Information pursuant to Section 2.3 and in its sole discretion, to terminate this Agreement upon 30 days' prior written notice to AnaptysBio.

7.4 Disposal of Materials and Information. In the event of expiration or any termination of this Agreement:

(a) each party shall return to the other party all Materials of the other party remaining in such party's possession promptly following such expiration or termination, except as expressly provided in Section 7.5 (including any surviving sections of this Agreement referenced therein); provided that AnaptysBio shall destroy all Remaining Materials;

(b) each party shall return to the other party all Confidential Information of the other party (including all copies thereof) in such party's possession; provided, however, that each party may retain one copy of the other party's Confidential Information in such party's secure archives for the sole purpose of monitoring compliance with its obligations hereunder; and provided, further, that a party may retain such Confidential Information of the other party as is necessary or useful for the exercise or enforcement of any of its rights under this Agreement that survive such expiration or termination pursuant to the applicable provisions of Section 7.5; and

(c) each party covenants that, from and after such expiration or termination, it will not use any Confidential Information of the other party for any purpose whatsoever, except as expressly set forth in Section 7.5 (including any surviving sections of this Agreement referenced therein).

7.5 Consequences of Termination or Expiration.

(a) Project Goals Not Achieved; Success Fee Not Paid. On a Project-by-Project basis, in the event of any termination or expiration of this Agreement, if the Project Goals for a Project were not met prior to such termination or expiration, and Client did not pay the Success Fee for such Project in full to AnaptysBio on or before the applicable Success Fee Due Date (or, if earlier, prior to termination or expiration of this Agreement), then: (i) Sections 4.1, 4.3 and 4.4(a) shall terminate with respect to such Project and be of no further force or effect; and (ii) clauses (i) through (iv) of Section 2.5(c) shall become effective with respect to such Project and survive such termination or expiration.

(b) Success Fee Paid. On a Project-by-Project basis, in the event of any termination or expiration of this Agreement, if Client paid the Success Fee for a Project in full on or before the Success Fee Due Date and prior to such termination or expiration, Sections 2.5(b), 4.1, 4.3 and 4.4(a) shall survive such termination or expiration with respect to such Project in accordance with their respective terms, subject to Client's continued compliance with all applicable terms and conditions of this Agreement, including, without limitation, Sections 3.4 through 3.12 (which shall survive such termination).

(c) General. Except as expressly set forth in Section 7.4, 7.5(a) or 7.5(b), or below in this Section 7.5(c), upon expiration or any termination of this Agreement, all rights and obligations of the parties under this Agreement shall terminate and be of no further force or effect. The expiration or termination of this Agreement for any reason shall not release either party from any liability or obligation that, at the time of such expiration or termination, has already accrued to the other party or that is attributable to a period prior to such expiration or termination, nor will expiration or any termination of this Agreement preclude either party from pursuing all rights and remedies it may have under this Agreement , or at law or in equity, with respect to breach of this Agreement. In the event of expiration or any termination of this Agreement (and in addition to any provisions of this Agreement that survive pursuant to the preceding provisions of this Section 7.5), the following provisions of this Agreement shall survive such expiration or termination in accordance with their respective terms and conditions: Sections 2.6 (last sentence only), 3.11, 3.12, 4.2, 4.4(b), 4.5 (solely as it applies to Joint Patents), 4.6, 6.3, 6.4, 7.4 and 7.5, and Articles 5, 8 and 9.

8. INDEMNIFICATION.

8.1 By Client. Client hereby agrees to save, defend, indemnify and hold harmless AnaptysBio and its officers, directors, employees, consultants and agents (each, an "***AnaptysBio Indemnitee***") from and against any and all losses, damages, liabilities, expenses and costs, including reasonable legal expense and attorneys' fees (collectively, "***Losses***"), to which any AnaptysBio Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise directly or indirectly out of (a) the use of Client Materials or Client Information in performance of a Project, (b) the development , manufacture, use, handling, storage, sale or other disposition of any Delivered Antibody or Product or use of any Delivered Antibody Information by or on behalf of Client or any Affiliate or Third Party to whom Client sells, licenses, transfers or disposes of its rights therein, (c) the negligence or willful misconduct of any Client Indemnitee, or (d) the breach by Client of any warranty, representation , covenant or agreement made by Client in this Agreement; except, in each case, to the extent such Losses result from the negligence or willful misconduct of any AnaptysBio Indemnitee or the breach by AnaptysBio of any warranty, representation, covenant or agreement made by AnaptysBio in this Agreement.

8.2 By AnaptysBio. AnaptysBio hereby agrees to save, defend, indemnify and hold harmless Client and its officers, directors, employees, consultants and agents (each, a "***Client Indemnitee***") from and against any and all Losses to which any Client Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise directly or indirectly out of (a) the negligence or willful misconduct of any AnaptysBio Indemnitee, or (b) the breach by AnaptysBio of any warranty, representation, covenant or agreement made by AnaptysBio in this Agreement; except, in each case, to the extent such Losses result from the negligence or willful misconduct of any Client Indemnitee or the breach by Client of any warranty, representation, covenant or agreement made by Client in this Agreement.

8.3 Control of Defense. In the event a party seeks indemnification under Section 8.1 or Section 8.2, it shall inform the other party (the "***Indemnifying Party***") of a claim as soon as reasonably practicable after it receives notice of the claim, shall permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration with no admission of fault) at the Indemnifying Party's expense, and shall cooperate as requested (at the expense of the Indemnifying Party) in the defense of the claim.

9. MISCELLANEOUS.

9.1 Independent Contractor Relationship. AnaptysBio's relationship with Client is that of an independent contractor, and nothing in this Agreement should be construed to create a partnership, joint venture, or employer-employee relationship. Neither party is an agent of the other party or authorized to make any representation, contract, or commitment on behalf of the other party.

9.2 Entire Agreement; Amendment. This Agreement, together with all Exhibits attached hereto, constitutes the final, complete and exclusive agreement of the parties with

respect to the subject matter hereof and supersedes all prior and contemporaneous understandings and agreements relating to its subject matter, including, without limitation, that certain Mutual Confidentiality Agreement between the parties dated May 11, 2011 (the "***CDA***"); provided, however, that all "Confidential Information," as such term is defined in the CDA, that was disclosed by a party to the other party pursuant to the CDA shall be deemed Confidential Information of such party for purposes of this Agreement. This Agreement (including its Exhibits) may not be changed, modified, amended or supplemented except by a written instrument signed by both parties.

9.3 Non-Waiver. The failure of a party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such party.

9.4 Severability. If any provision of this Agreement should be held invalid or unenforceable, the remaining provisions shall be unaffected and shall remain in full force and effect, to the extent consistent with the intent of the parties as evidenced by this Agreement as a whole.

9.5 Assignment. Neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the prior written consent of the other party (which consent shall not be unreasonably withheld); provided, however, that either party may assign this Agreement and its rights and obligations hereunder without the other party's consent to an Affiliate of the assigning party or in connection with the transfer or sale of all or substantially all of the business of such party to which this Agreement relates to a Third Party, whether by merger, sale of stock, sale of assets or otherwise, provided that in the event of any such transaction involving AnaptysBio (whether this Agreement is actually assigned or is assumed by the acquiring party by operation of law (e.g., in the context of a reverse triangular merger)), intellectual property rights of the acquiring party to such transaction (if other than AnaptysBio) shall not be included in the technology subject to this Agreement. The rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties, and the name of a party appearing herein will be deemed to include the name of such party's successors and permitted assigns to the extent necessary to carry out the intent of this section. Any assignment not in accordance with this Agreement shall be void.

9.6 Governing Law. This Agreement shall be governed by the laws of the State of California, excluding its conflict of laws principles.

9.7 Force Majeure. Except for the obligation to make payment when due, each party shall be excused from liability for the failure or delay in performance of any obligation under this Agreement by reason of any event beyond such party's reasonable control including but not limited to Acts of God, fire, flood, explosion, earthquake, or other natural forces, war, civil unrest, acts of terrorism, accident, destruction or other casualty, any lack or failure of transportation facilities, any lack or failure of supply of raw materials, any strike or labor

disturbance, or any other event similar to those enumerated above. Such excuse from liability shall be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the party has not caused such event(s) to occur. All delivery dates under this Agreement that have been affected by force majeure shall be tolled for the duration of such force majeure.

9.8 Notices. Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, by overnight courier, or by facsimile, to the party to be notified at its address(es) given below, or at any address such party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earlier of: (a) the date of actual receipt; or (b) if mailed, three calendar days after the date of postmark.

If to AnaptysBio: AnaptysBio, Inc.
10421 Pacific Center Court, Suite 200
San Diego, CA 92121
Attn: Chief Executive Officer
Fax: (858) 228-9642

If to Client: Celgene Corporation
86 Morris Avenue
Summit, NJ 07901
Attn: George S. Golumbeski
Fax: (908) 673-2769

with a copy to: Celgene Corporation
86 Morris Avenue
Summit, NJ 07901
Attn: Legal Department
Fax: (908) 673-2771

9.9 Interpretation. The headings of clauses contained in this Agreement preceding the text of the sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction. All references in this Agreement to the singular shall include the plural where applicable. Unless otherwise specified, references in this Agreement to any Article shall include all Sections, subsections and paragraphs in such Article, references to any Section shall include all subsections and paragraphs in such Section, and references in this Agreement to any subsection shall include all paragraphs in such subsection. Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either party, irrespective of which party may be deemed to have caused the ambiguity or uncertainty to exist. This Agreement has been prepared in the English language, and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the parties regarding this Agreement, shall be in the English language.

9.10 Counterparts. This Agreement may be executed in counterparts, including by transmission of facsimile or PDF copies of signature pages, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this ANTIBODY GENERATION AGREEMENT on the Effective Date.

ANAPTYSBIO, INC.

By: /s/ Hamza Suria
Name: Hamza Suria
Title: Acting CEO

CELGENE CORPORATION

By: /s/ G.S. Golumberski
Name: G.S. Golumberski
Title: SVP Business Development

CELGENE CORPORATION

By: /s/ Robert J. Hugin
Name: Robert J. Hugin
Title: Chief Executive Officer

EXHIBIT A

Research Plan

[*]

***Confidential Treatment Requested.**

EXHIBIT B

Steering Committee

(a) **Steering Committee**. A steering committee (hereinafter the "Steering Committee") shall be formed within [*] after the Effective Date. The duties of the Steering Committee shall include:

[*]

(b) **Steering Committee Composition**. The Steering Committee shall be comprised of [*] representatives from each Party. The Steering Committee representatives from each party shall be designated by such party upon written notice to the other party, and each party can change its designated representatives from time to time upon written notice to the other party.

(c) **Steering Committee Meetings**. The Steering Committee shall meet [*] and meetings may be conducted by telephone, electronic mail, facsimile, video conference or in person. Up to [*] additional employees of each party may attend the Steering Committee meetings as non-voting observers. The Steering Committee shall be chaired by one of the representatives [*] (the "Chairperson"). The Chairperson shall prepare written minutes of each Steering Committee meeting and a written record of all Steering Committee decisions made during such meetings.

(d) **Quorum; Required Vote**. No Steering Committee meeting may be conducted unless at least [*] Steering Committee member from each party is participating. For the purposes of any approval or action taken by the Steering Committee, all decisions of the Steering Committee initially will be taken [*].

***Confidential Treatment Requested.**

EXHIBIT 10.11

[*] Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

COLLABORATION AND EXCLUSIVE LICENSE AGREEMENT

This COLLABORATION AND EXCLUSIVE LICENSE AGREEMENT (the "**Agreement**"), effective as of March 10 , 2014 (the "**Effective Date**"), is made by and between (i) **AnaptysBio, Inc.**, a Delaware corporation, having a place of business at 10421 Pacific Center Court, Suite 200, San Diego, California 92121 ("**AnaptysBio**"), and (ii) **TESARO, Inc.**, a Delaware corporation, having a place of business at 1000 Winter Street, Suite 3300, Waltham, Massachusetts 02541 ("**TESARO US**") and **TESARO Development, Ltd.**, a Bermuda corporation, having its principal office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (together with TESARO US, "TESARO").

BACKGROUND

A. AnaptysBio has skills, expertise and proprietary technology for the discovery, generation and optimization of immunotherapy antibodies.

B. AnaptysBio is developing therapeutic antibodies against immune checkpoint proteins for use in the treatment of cancer and related conditions.

C. TESARO possesses expertise in the research, development, manufacturing and commercialization of treatments for cancer and related conditions.

D. TESARO and AnaptysBio desire to enter a collaboration wherein AnaptysBio will perform certain discovery and early development of therapeutic antibodies against immune checkpoint proteins, with the goal of generating immunotherapy antibodies to such targets for subsequent preclinical, clinical, regulatory and commercial development by TESARO.

NOW, THEREFORE, for and in consideration of the covenants, conditions and undertakings hereinafter set forth, it is agreed by and between the Parties as follows:

1. DEFINITIONS

As used herein, the following terms will have the meanings set forth below:

1.1. "**Affiliate**" shall mean any corporation or other entity, whether de jure or de facto, which is directly or indirectly controlling, controlled by or under common control of a Party hereto for so long as such control exists. For the purposes of this Section 1.1, "control" shall mean the direct or indirect ownership of at least fifty percent (50%) of the outstanding shares or other voting rights of the subject entity having the power to vote, or if not meeting the preceding,

the maximum voting right that may be held by the particular Party under the laws of the country where such entity exists, or the power to otherwise direct the affairs of the entity.

1.2. "**AnaptysBio IP Rights**" shall mean, collectively, the AnaptysBio Patents and the AnaptysBio Know-How.

1.3. "**AnaptysBio Know-How**" shall mean all trade secret and other proprietary know- how rights in and to all data, information, compositions and other technology (including, but not limited to, formulae, procedures, protocols, techniques and results of experimentation and testing) which are necessary or useful for TESARO to make, use, develop, sell or seek regulatory approval to market a Product, or to practice any method or process, and which (a) AnaptysBio discloses or makes available to TESARO under this Agreement, or (b) are within the Control of AnaptysBio. AnaptysBio Know-How shall exclude the AnaptysBio Platform.

1.4. "**AnaptysBio Patents**" shall mean all Patents owned or Controlled by AnaptysBio to the extent claiming the manufacture, composition or use of the Development Antibodies. AnaptysBio Patents shall exclude Patents included within the AnaptysBio Platform.

1.5. "**AnaptysBio Platform**" shall mean: (a) all know-how, trade secrets, data, inventions, proprietary software, works of authorship, designs, techniques, methods, processes, formulations, structure and other information relating to compounds, compositions, specifications, reagents, ideas and information relating to AnaptysBio's proprietary technology that is, in each case, generally applicable to the discovery, modification, optimization and/or humanization of antibodies and/or other proteins, and/or nucleic acids relating thereto (including, without limitation, the expression, manufacture and formulation of any of the foregoing); and (b) all patent and other intellectual property rights in any of the foregoing; provided, that the AnaptysBio Platform shall not include any Patents covering the composition of matter, in whole or in part, of any Development Antibody or the Patents set forth on Schedule 12.2(i). Without limiting the generality of the foregoing, AnaptysBio Platform shall include any such information generated, discovered or developed in whole or in part by employees or agents of AnaptysBio in performing any Discovery Program, or otherwise generated, discovered or developed in whole or in part by employees or agents of AnaptysBio during the term of this Agreement; in each case, to the extent any of the foregoing: (i) relate to the AnaptysBio Platform, improvements to the AnaptysBio Platform, or the use of the AnaptysBio Platform or any such AnaptysBio Platform improvements; or (ii) are generally applicable to the discovery, modification, optimization or humanization of proteins and nucleic acids (including, without limitation, the expression and manufacture thereof); provided, that the AnaptysBio Platform shall not include any Patents covering the composition of matter, in whole or in part, of any Development Antibody or the Patents set forth on Schedule 12.2(i).

1.6. "**Collaboration IP Rights**" shall mean all Collaboration Patents and Collaboration Know-How.

1.7. "**Collaboration Know-How**" shall mean all proprietary ideas, inventions, data, instructions, processes, formulas, expert opinions and information, including, without limitation, biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, clinical, safety, manufacturing and quality control data and information developed solely or

jointly by AnaptysBio and/or TESARO during and in connection with the Discovery Program, or by or for TESARO, its Affiliate or sublicensees in connection with the further development of a Product during and in connection with the Discovery Program. Collaboration Know-How shall exclude the AnaptysBio Platform.

1.8. "**Collaboration Patents**" shall mean all Patents the subject of which are inventions conceived and reduced to practice solely or jointly by AnaptysBio and/or TESARO during and in connection with the Discovery Program, or by or for TESARO, its Affiliate or sublicensees in connection with the further development of a Product during and in connection with the Discovery Program. Collaboration Patents shall exclude the AnaptysBio Platform.

1.9. "**Combination Product**" means a Product that contains a Development Antibody and at least one other therapeutically active product or pharmaceutical ingredient which is not a Development Antibody.

1.10. "**Commercially Reasonable Efforts**" means, with respect to a Party, such efforts that are consistent with the efforts and resources normally used by such Party in the exercise of its reasonable business discretion relating to the research, development and commercialization of a pharmaceutical or biologic product owned by it or to which it has exclusive rights, with similar product characteristics, which is of similar market potential at a similar stage in its development or product life, taking into account issues of patent coverage, safety and efficacy, product profile, the competitiveness of the marketplace, the proprietary position of the compound or product, the regulatory structure involved, the potential or actual profitability of the applicable products (including pricing and reimbursement status achieved or to be achieved), and other relevant factors, including technical, legal, scientific and/or medical factors. For purposes of clarity, Commercially Reasonable Efforts would be determined on a market-by-market and indication- by-indication basis for a particular product and it is anticipated that the level of effort may be different for different markets and may change over time, reflecting changes in the status of the product and the market(s) involved. [*]

1.11. "**Confidential Information**" shall have the meaning set forth in Section 10.1.

1.12. "**Control,**" "**Controls,**" "**Controlled**" or "**Controlling**" shall mean possession of the ability to grant the licenses or sublicenses as provided herein without violating the terms of any agreement or other arrangements with any Third Party.

1.13. "**Development Antibody**" shall mean any antibody that is developed using the AnaptysBio Platform antibody technology under one of the Discovery Programs and is a Target Antagonist. In addition, the antibodies existing as of the Effective Date and identified on Exhibit C attached to the Supplmental Information Package, which Exhibit also sets forth the sequence of such antibodies, shall each be a "Development Antibody" under this Agreement.

1.14. "**Development Programs**" shall mean, collectively, the PD-1 Development Program, TIM-3 Development Program and LAG-3 Development Program, and "**Development Program**" shall mean any of such programs.

1.15. "**Discovery Plan**" shall mean the written research plan governing the joint effort of the Parties in conducting the applicable Discovery Program, which may be amended from

time to time, in accordance with this Agreement. The initial Discovery Plan for each Discovery Program is attached to the Supplemental Information Package as Exhibits A-1 – A-3.

1.16. "**Discovery Programs**" shall mean, collectively, the PD-1 Discovery Program, TIM-3 Discovery Program and LAG-3 Discovery Program, and "**Discovery Program**" shall mean any of such programs.

1.17. "**Discovery Program Term**" shall mean, with respect to a Discovery Program, the term of such Discovery Program, as provided in Section 2.7 below.

1.18. "**EMA**" shall mean the European Agency for the Evaluation of Medicinal Products of the European Union, or the successor thereto.

1.19. "**FDA**" shall mean the Food and Drug Administration of the United States, or the successor thereto.

1.20. "**Field**" shall mean all uses of Products for any purpose, including the [*].

1.21. "**FTE**" shall mean a full-time person working on the Discovery Program, or in the case of less than a full-time, dedicated person, a full-time, equivalent person year, based upon a total of [*] hours per year of work in connection with a Discovery Program.

1.22. "**GLP Study**" shall mean any in vitro or in vivo study that (i) is required under 21 C.F.R. § 58 to be governed under the principles of good laboratory practice, or (ii) is performed by a GLP vendor.

1.23. "**IND**" shall mean an investigational new drug application filed with the FDA as more fully defined in 21 C.F.R. § 312.3

1.24. "**JSC**" or "**Joint Steering Committee**" shall have the meaning set forth in Section 4.1.

1.25. "**LAG-3**" shall mean lymphocyte-activation gene 3, encoded by the LAG3 gene, also known as CD223.

1.26. "**LAG-3 Development Program**" shall mean the development program to be conducted in accordance with Section 3 for the development of Development Antibodies generated under the LAG-3 Discovery Program.

1.27. "**LAG-3 Discovery Program**" shall mean the discovery program to be conducted in accordance with Section 2 for the development of antibodies directed to antagonize LAG-3, including dual-reactive antibodies that are directed to antagonize both PD-1 and LAG-3.

1.28. "**MAA**" means a Marketing Authorization Application, or similar application for marketing approval of a Product for use in the Field submitted to the EMA.

1.29. "**NDA**" shall mean a New Drug Application or Biologics License Application, or similar application for marketing approval of a Product for use in the Field submitted to the FDA.

1.30. "**Net Sales**" means, with respect to any Product, the gross invoiced sales price of such Product sold by TESARO, its Affiliates or sublicensees (the "Selling Party"), in arm's- length sales to Third Parties, less deductions allowed to the Third Party customer by the Selling Party, to the extent actually taken by the Third Party customer, on such sales for:

[*]

The maximum allowed for deductions resulting from clauses [*], collectively, shall not exceed [*] percent ([*]) of the total Net Sales.

If a Product is sold as part of a Combination Product, for purposes of determining payments due hereunder, Net Sales of such Product shall be deemed to be an amount equal to the following:

(X divided by Y) multiplied by Z,

where "X" is the average sales price during the applicable reporting period achieved for the relevant Product in the country in which such sale occurred when the Product contains only the Product and no other active pharmaceutical ingredient;

"Y" is the sum of the average sales price during the applicable reporting period achieved in that country (as applicable) of each active pharmaceutical ingredient included in the Combination Product when such compound is sold as a separate product and not as part of a Combination Product; and

"Z" is the single price at which the relevant Combination Product was actually sold.

In the event that no separate sale of either (i) the Product and no other active pharmaceutical ingredient or (ii) the other active pharmaceutical ingredient(s) of the Combination Product are made during the accounting period in which the sale was made or if the price for a particular therapeutically active ingredient or relevant product cannot otherwise be determined for an accounting period, Net Sales allocable to the Product shall be determined by mutual agreement reached in good faith by the Parties prior to the end of the accounting period in question based on an equitable method of determining the same that takes into account, variations in potency, the relative contribution of each therapeutically active ingredient in the Combination Product, and relative value to the end user of each therapeutically active ingredient.

Sales among TESARO and its Affiliates or sublicensees shall be excluded from the computation of Net Sales, and no royalties will be payable on such sales except where such Affiliates or sublicensees are end users; provided, however, in that any subsequent resale to a Third Party shall be included within Net Sales.

Notwithstanding the foregoing, Net Sales shall be calculated and accounted for in accordance with United States generally accepted accounting principles ("GAAP"); provided, that if TESARO should change accounting standards during the term of this Agreement due to a

merger, acquisition or requirement of applicable laws, then Net Sales hereunder may be calculated and accounted for in accordance with such different set of accounting standards, consistently applied, following such change.

1.31. "**Party**" or "**Parties**" shall mean, respectively, AnaptysBio or TESARO, individually, or AnaptysBio and TESARO, collectively.

1.32. "**Patents**" shall mean (a) all patents and patent applications in any country or supranational jurisdiction in the Territory, and (b) any substitutions, divisions, continuations, continuations-in-part, provisional applications, reissues, renewals, registrations, confirmations, re-examinations, extensions, supplementary protection certificates and the like of any such patents or patent applications.

1.33. "**PD-1**" shall mean programmed cell death protein 1, encoded by the PDCD1 gene, also known as CD279.

1.34. "**PD-1 Development Program**" shall mean the development program to be conducted in accordance with Section 3 for the development of Development Antibodies generated under the PD-1 Discovery Program.

1.35. "**PD-1 Discovery Program**" shall mean the discovery program to be conducted in accordance with Section 2 for the development of antibodies directed to antagonize PD-1, including the antibody identified on Exhibit C to the Supplemental Information Package. [*]

1.36. "**Phase II Clinical Trial**" shall mean a human clinical trial in any country that is intended to initially evaluate the effectiveness of a Product for a particular indication or indications in patients with the disease or indication under study and would satisfy requirements of 21 CFR 312.21(b) or its foreign equivalent.

1.37. "**Phase III Clinical Trial**" shall mean a human clinical trial in any country, the results of which could be used to establish safety and efficacy of a Product as a basis for an NDA, and would satisfy requirements of 21 CFR 312.21(c) or its foreign equivalent.

1.38. "**Product**" shall mean any pharmaceutical or biologic product or therapy including one or more Development Antibodies, in whole or in part, as an active ingredient.

1.39. "**Subcontractor**" means a Third Party which a Party has engaged to perform services in connection with such Party fulfilling its obligations and exercising its rights under and pursuant to this Agreement.

1.40. "**Supplemental Information Package**" means the Supplemental Information Package delivered in connection with the execution of this Agreement by the Parties on the Effective Date.

1.41. "**Target(s)**" shall mean LAG-3, PD-1 and TIM-3.

1.42. "**Target Antagonist**" shall mean an antibody that is created against and selected in order to antagonize Target(s), and does anatagonize that Target.

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1.43. "**Territory**" shall mean worldwide.

1.44. "**TESARO Know-How**" shall mean all proprietary ideas, inventions, data, instructions, processes, formulas, expert opinions and information, including, without limitation, biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, clinical, safety, manufacturing and quality control data and information developed by or for TESARO, its Affiliate or sublicensees in connection with the further development of a Product and Controlled by TESARO.

1.45. "**TESARO Patents**" shall mean all Patents Controlled by TESARO the subject of which are inventions conceived and reduced to practice by or for TESARO, its Affiliate or sublicensees in connection with the further development of a Product.

1.46. "**TIM-3**" shall mean the T cell immunoglobulin and mucin protein 3 protein, encoded by the TIM3 gene.

1.47. "**TIM-3 Development Program**" shall mean the development program to be conducted in accordance with Section 3 for the development of Development Antibodies generated under the TIM-3 Discovery Program.

1.48. "**TIM-3 Discovery Program**" shall mean the discovery program to be conducted in accordance with Section 2 for the development of antibodies directed to antagonize TIM-3, including dual-reactive antibodies that are directed to antagonize both PD-1 and TIM-3.

1.49. "**Third Party**" shall mean any person or entity other than AnaptysBio and TESARO, and their respective Affiliates.

1.50. "**Third Party In-License**" shall mean any agreement between AnaptysBio or any Affiliate thereof and any Third Party under which AnaptysBio or such Affiliate is or has been granted a license or other rights under the AnaptysBio IP Rights or with respect to the AnaptysBio Platform.

2. DISCOVERY PROGRAMS

2.1. Goals. The goals of the Discovery Programs are the discovery of Development Antibodies directed to the applicable Targets, and characterization and certain testing, including certain efficacy, pharmacology and toxicology studies, provided that none shall be a GLP Study, all as set forth in the applicable Discovery Plan for such Discovery Program.

2.2. Responsibility. AnaptysBio shall hold the primary responsibility for executing each of the Discovery Programs in accordance with each Discovery Plan. AnaptysBio shall utilize resources and methodologies as needed with respect to the AnaptysBio Platform to generate Development Antibodies with respect to each Target.

2.3. Conduct of the Discovery Program. Subject to the terms and conditions set forth herein, AnaptysBio agrees to conduct research under the Discovery Programs, which shall be funded as set forth in Section 6. During each Discovery Program Term, AnaptysBio shall use Commercially Reasonable Efforts to conduct each Discovery Program in accordance with the

applicable Discovery Plan within the time schedules contemplated therein and to keep TESARO informed as to the progress and results of the Discovery Programs hereunder.

2.4. Discovery Plans. Each Discovery Program shall be carried out in accordance with a mutually agreed upon written Discovery Plan, which shall establish specific research objectives and the research tasks to be performed and resources to be provided by AnaptysBio. The initial Discovery Plans, attached to the Supplemental Information Package as Exhibits A-1 – A-3, establish: (i) the scope of the research activities which will be performed under the applicable Discovery Program; (ii) the research objectives and work plan activities with respect to such Discovery Program; and (iii) the criteria for determining when a Development Antibody shall be advanced into its respective Development Program. The Discovery Plans may be amended or modified from time to time by approval of the JSC.

2.5. Discovery Budgets. Each Discovery Plan includes a budget covering the activities to be conducted by AnaptysBio under such Discovery Plan, as approved by the Parties (each, a "**Discovery Budget**"). The Discovery Budgets may be amended from time to time by approval of the JSC, but, unless otherwise decided by the JSC, only following a JSC-approved modification to the applicable Discovery Plan which necessitates a change in the applicable Discovery Budget. At all times the Discovery Budgets shall reflect the Parties' good faith estimate of the costs reasonably necessary in order for AnaptysBio to complete its activities set forth in the Discovery Plans.

2.6. Discovery Program Costs. During the applicable Discovery Program Term and subject to TESARO funding the costs of each Discovery Program pursuant to Section 6.1, AnaptysBio shall [*]. At the beginning of each calendar quarter, [*].

2.7. Term of Discovery Program. Each Discovery Program Term shall commence on the Effective Date and shall end upon the earlier of [*].

2.8. Third Party Licenses. In the event that the Parties agree to acquire additional technologies, equipment or other fixed assets from a Third Party specifically for use in the conduct of a Discovery Program, TESARO will be responsible for the payment of any amounts due to Third Parties for the license of intellectual property which directly applies to any Target, and the costs of negotiating, preparing and executing any such license.

2.9. Records; Inspection.

(a) Records. AnaptysBio and TESARO shall maintain records of each Discovery Program (or cause such records to be maintained) in sufficient detail and in good scientific manner as will properly reflect all work done and results achieved in the performance of the Discovery Program (including all data in the form required under any applicable governmental regulations or as directed by the JSC). All such records shall be owned by AnaptysBio, and licensed to TESARO on a Discovery Program-by-Discovery Program basis in accordance with Section 5.1 and AnaptysBio shall deliver copies of any such records to TESARO upon TESARO's written request. AnaptysBio shall maintain any such records, to the extent not delivered to TESARO, during the applicable Discovery Program Term and for a

period of at least five (5) years thereafter, and shall provide TESARO access to such records at AnaptysBio's place of business upon reasonable advance notice by TESARO.

(b) Reports and Information Exchange. During each Discovery Program Term, each of TESARO and AnaptysBio shall use their respective Commercially Reasonable Efforts to disclose to the other Party all material information relating to the applicable Discovery Program promptly after it is learned or its materiality is appreciated. Each Party shall also keep the other Party, including the Joint Steering Committee, informed as to its progress under each Discovery Plan. [*]

2.10. Technology Transfer. At any time after cessation, termination or completion of the applicable Discovery Program, or as reasonably requested by TESARO at any time after the Effective Date, TESARO shall have the right to request that AnaptysBio commence a technology transfer to TESARO, or its designee, of any tangible embodiments of AnaptysBio Know-How or other information and technology reasonably necessary for the GLP manufacture, clinical and/or commercial manufacture of Products or any Development Antibodies with respect to such Discovery Program. The cost of a technology transfer shall be borne by TESARO and shall be based on the FTE rates set forth herein. [*]

2.11. Subcontracting.

(a) AnaptysBio Right to Subcontract. Subject to the terms of this Agreement, AnaptysBio shall have the right to engage Affiliates or Subcontractors to perform certain of its obligations under the Discovery Plans; provided, that with respect to each subcontract: (i) AnaptysBio shall notify TESARO in writing (on a confidential basis) in advance (including a description of the activity(ies) to be subcontracted, the identity of the Subcontractor and the countries involved); (ii) AnaptysBio shall ensure that each of its Subcontractors accepts and complies with all applicable terms and conditions of this Agreement, and AnaptysBio shall remain responsible for the performance of its Subcontractors hereunder; (iii) no subcontract shall contain any royalty bearing licenses or any milestone payment obligations, in each case, payable by AnaptysBio, without the prior written consent of TESARO; and (iv) any such subcontract shall (A) be in writing, (B) be subject and subordinate to the terms and conditions of this Agreement, (C) contain terms and conditions which are consistent with the terms and conditions of this Agreement, (D) not in any way diminish, reduce or eliminate any of AnaptysBio's obligations under this Agreement, (E) impose on the Subcontractor all applicable obligations under the terms of this Agreement, including the reporting, audit, inspection and confidentiality provisions hereunder, as well as a provision prohibiting such Subcontractor from further sublicensing or subcontracting, and (F) use reasonable efforts to cause such subcontract to be assignable to TESARO without consent of the Subcontractor. Notwithstanding the foregoing, approval of the JSC will be required if AnaptysBio desires to engage a Subcontractor to perform work related to chemistry, manufacturing and controls.

(b) TESARO Right to Subcontract. Subject to the terms of this Agreement, TESARO shall have the right to engage Affiliates or Subcontractors to perform certain of its obligations and exercise its rights under this Agreement (including any activities under the Development Programs); provided, that with respect to each subcontract: (i) TESARO shall ensure that each of its Subcontractors accepts and complies with all applicable terms and

conditions of this Agreement, and TESARO shall remain responsible for the performance of its Subcontractors hereunder; and (ii) any such subcontract shall (A) be in writing, (B) be subject and subordinate to the terms and conditions of this Agreement, (C) contain terms and conditions which are consistent with the terms and conditions of this Agreement, (D) not in any way diminish, reduce or eliminate any of TESARO's obligations under this Agreement, (E) impose on the Subcontractor all applicable obligations under the terms of this Agreement, including the reporting, audit, inspection and confidentiality provisions hereunder, and (F) use reasonable efforts to cause such subcontract to be assignable to AnaptysBio without consent of the Subcontractor.

2.12. [*]

3. DEVELOPMENT PROGRAMS

3.1. Development Program Activities. Following completion of each Discovery Program, TESARO shall be responsible, at its sole expense, for conducting the Development Program, which shall include without limitation all pre-IND activities, including cross-reactivity studies and pilot studies to enable GLP pharmacology/toxicology studies, GMP manufacturing, regulatory filings, clinical trials and commercialization activities with respect to one or more Development Antibodies under each Development Program.

3.2. Records; Inspection.

(a) Records. TESARO shall maintain records of each Development Program (or cause such records to be maintained) in sufficient detail and in good scientific manner as will properly reflect all work done and results achieved in the performance of the Development Program (including all data in the form required under any applicable governmental regulations). TESARO shall maintain such records for a period of [*], and shall provide AnaptysBio access to such records at TESARO's place of business upon reasonable advance notice by AnaptysBio in accordance with Section 7.4.

(b) Reports and Information Exchange. During the performance of each Development Program, TESARO shall use Commercially Reasonable Efforts to disclose to AnaptysBio all material information relating to the applicable Development Program promptly after it is learned or its materiality is appreciated. TESARO shall also keep AnaptysBio informed as to its progress under each Development Program. Within sixty (60) days following the end of each calendar quarter of the Development Program, [*].

(c) Assistance by AnaptysBio. Upon reasonable request by TESARO, AnaptysBio will in good faith make available key personnel to assist TESARO in the planning, monitoring and strategy of preclinical development, manufacturing and early clinical development under each Development Program, provided that any material expenses incurred by AnaptysBio (including FTEs utilized, reasonable travel expenses and specialized supplies or equipment required) shall be reimbursed by TESARO in accordance with Section 2.6 above.

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4. MANAGEMENT

4.1. Joint Steering Committee. Promptly after the Effective Date, TESARO and AnaptysBio will establish a committee (the "**Joint Steering Committee**" or "JSC") to oversee, review and recommend direction of each Discovery Program. The responsibilities of the Joint Steering Committee shall include, monitoring, reporting progress, developing strategies and ensuring open and frequent exchange between the Parties regarding each Discovery Program and the activities of the Parties and their Affiliates, Subcontractors and agents thereunder.

4.2. Membership. The JSC shall include [*] of each of TESARO and AnaptysBio, each Party's members selected by that Party. AnaptysBio and TESARO may each replace its JSC representatives at any time, upon written notice to the other Party. From time to time, the JSC may establish subcommittees to oversee particular projects or activities, and such subcommittees will be constituted as the JSC agrees. Each Party's JSC members shall be senior individuals empowered to provide timely feedback regarding their Party's decisions on key matters.

4.3. Meetings. During each Discovery Program Term, the JSC shall meet at least quarterly, or as agreed by the Parties, at such locations as the Parties agree, and will otherwise communicate regularly by telephone, electronic mail, facsimile and/or video conference. With the consent of the Parties, other representatives of AnaptysBio or TESARO may attend JSC meetings as nonvoting observers. Each Party shall be responsible for all of its own expenses associated with attendance of such meetings. [*]

4.4. Minutes. The JSC shall keep accurate minutes of its deliberations which shall record all proposed decisions and all actions recommended or taken. The Secretary of the JSC (as appointed by the members of the JSC) shall be responsible for the preparation of draft minutes. [*] All records of the JSC shall at all times be available to both AnaptysBio and TESARO.

4.5. Decision Making. [*]

4.6. Development Program Meetings. During each [*] calendar period commencing with the completion of the applicable Discovery Program and continuing for a period of [*] thereafter, and then annually after such [*] period, upon the written request of either Party, TESARO and AnaptysBio shall meet to discuss the progress of each Development Program and review future activities planned by TESARO with respect thereto, including strategic plans for preclinical, clinical and commercial advancement of Products under each Development Program.

5. LICENSES; EXCLUSIVITY

5.1. Grant.

(a) Subject to the terms and conditions of this Agreement, AnaptysBio hereby grants to TESARO and its Affiliates an exclusive license (with the right to grant sublicenses through multiple tiers) under the AnaptysBio IP Rights and Collaboration IP Rights to research, develop, make, have made, use, sell, offer for sale, import and export Products for use in the Field and in the Territory.

(b) Subject to the terms and conditions of this Agreement, AnaptysBio hereby grants to TESARO and its Affiliates a non-exclusive license (with the right to grant sublicenses through multiple tiers) under the Patents and other intellectual property constituting the AnaptysBio Platform to research, develop, make, have made, use, sell, offer for sale, import and export Products for use in the Field and in the Territory and as necessary for TESARO to practice the licenses granted to it under Section 5.1(a); provided, however that the foregoing license grant to TESARO is limited to researching, developing, making, having made, selling, offering for sale, importing, exporting and using Development Antibodies previously generated by AnaptysBio, and expressly excludes any license of rights to TESARO to utilize, practice or operate the AnaptysBio Platform to develop or generate new or materially different antibodies.

5.2. No Implied Licenses. Only the licenses granted pursuant to the express terms of this Agreement shall be of any legal force or effect. No other license or rights shall be created by implication, estoppel or otherwise. Without limiting the foregoing, if a Product contains an active pharmaceutcial ingredient or biologic in addition to the Development Antibody, then the licenses granted to TESARO under AnaptysBio IP Rights and the AnaptysBioPlatform shall not include the right to research, develop, make, have made, use, sell, offer for sale, import and export such other active pharmaceutical ingredient or biologic.

5.3. Exclusivity.

(a) Except to the extent required for AnaptysBio to fulfill its obligations under this Agreement and as permitted under this Agreement, with respect to each Target (or combination of Targets), [*].

(b) During the Exclusivity Period, and except with respect to a Product pursuant to this Agreement, TESARO shall not [*].

(c) The exclusivity described in Sections 5.3(a) and 5.3(b) will apply on a Discovery Program/Development Program basis, such that if a Discovery Program or Development Program is terminated for any reason, then the Targets that are subject of that Discovery Program or Development Program shall no longer be subject to the exclusivity. By way of example, if the TIM-3 Discovery Program is terminated, then the exclusivity shall no longer apply to TIM-3 alone or dual-reactivity to TIM-3 and PD-1, but the exclusivity for the other non-terminated Discovery Programs (or Development Programs) shall continue.

(d) Notwithstanding the foregoing provision of this Section 5.3, in the event of a Change of Control (as defined below) of AnaptysBio, or if AnaptysBio or an Affiliate acquires any Third Party, business or assets, or any interest therein (an "**AnaptysBio Business Acquisition**"), the provisions of this Section 5.3 shall not apply to any active research or development program that a portion of the surviving entity or Affiliate that was not AnaptysBio (prior to the Change of Control or AnaptysBio Business Acquisition) had ongoing as of immediately prior to the date of such Change of Control or AnaptysBio Business Acquisition. For purposes of this Section 5.3, a "**Change of Control**" shall mean, with respect to a Party, the merger, consolidation, sale of substantially all of such Party's assets or similar transaction or series of transactions, as a result of which such Party's shareholders before such transaction or series of transactions own less than fifty percent (50%) of the total number of voting securities of

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the surviving entity immediately after such transaction or series of transactions. For clarity, if as a result of any such Change of Control, a Party exists as a wholly owned subsidiary of a parent, then the provisions of this Section 5.3 shall continue to apply to such Party as the surviving entity, but not to such parent.

(e) Notwithstanding the foregoing provision of this Section 5.3, in the event of a Change of Control of TESARO or if TESARO or an Affiliate acquires any Third Party, business or assets, or any interest therein (a "**TESARO Business Acquisition**"), the provisions of this Section 5.3 shall not apply to any active research or development program that a portion of the surviving entity or Affiliate that was not TESARO (prior to the Change of Control or TESARO Business Acquisition) had ongoing as of immediately prior to the date of such Change of Control or TESARO Business Acquisition.

6. PAYMENTS

6.1. Upfront Payment. Within ten (10) business days following the Effective Date, TESARO shall pay to AnaptysBio a non-creditable, non-refundable license fee of seventeen million dollars (USD $17,000,000.00).

6.2. Discovery Program Funding. TESARO shall reimburse AnaptysBio on a quarterly basis for all [*]. All payments are non-creditable (against amounts in Secction 6.3 or 6.4) and non-refundable (except pursuant to Section 7.4 or Section 13.2). Within ten (10) days of the end of each calendar quarter, AnaptysBio shall provide TESARO with an invoice for all amounts owed by TESARO under this Section 6.2 for that calendar quarter and TESARO shall pay such amounts within thirty (30) days after receipt of AnaptysBio's quarterly invoice. All amounts paid by TESARO to AnaptysBio pursuant to this Section 6.2 shall be made in accordance with Section 7.2 with respect to withholding for taxes or any other charges.

6.3. Upfront Payment. On a Development Program-by-Development Program basis, TESARO shall pay AnaptysBio the following payments [*]:

Milestone Event	Milestone Payment (USD)
Initiation of first GLP PK/tox Study	[*]
First IND clearance	[*]
Initiation of the first Phase II Clinical Trial	[*]
Initiation of the first Phase III Clinical Trial for first indication	[*]
Initiation of the first Phase III Clinical Trial for second indication	[*]
Filing of the first NDA for the first indication	$[*]
Filing of the first NDA for the second indication	$[*]
Filing of the first MAA for the first indication	$[*]
Filing of the first MAA for the second indication	$[*]

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Milestone Event	Milestone Payment (USD)
First NDA approval for the first indication	$[*]
First NDA approval for the second indication	$[*]
First MAA approval for the first indication	$[*]
First MAA approval for the second indication	$[*]
Achievement of annual worldwide Net Sales in a calendar year equal to or greater than $[*]	$[*]
Achievement of annual worldwide Net Sales in a calendar year equal to or greater than $[*]	$[*]
Achievement of annual worldwide Net Sales in a calendar year equal to or greater than $[*]	$[*]
Achievement of annual worldwide Net Sales in a calendar year equal to or greater than $[*]	$[*]

As used in this Section 6.3, the following terms have the meanings set forth below:

"**initiation**" means, with respect to a study or clinical trial, the administration of the first dose of Product to the first patient enrolled in such study or trial;

"**IND clearance**" means filing and clearance by FDA without rejection or being placed on clinical hold;

"**indication**" means a specific disease or condition;

"**filing**" means acceptance for filing with the applicable regulatory or governmental authority; and

"**approval**" means, with respect to a Product in any country or jurisdiction, any approval, registration, license or authorization from a regulatory or governmental authority in a country or other jurisdiction that is necessary to market and sell such Product in such country or jurisdiction; "approval" shall specifically include FDA approvals of BLAs.

6.4. Earned Royalties.

(a) With respect to Net Sales of a Product resulting from a Development Antibody, on a Product-by-Product basis, TESARO shall pay AnaptysBio a royalty on Net Sales as follows:

Worldwide Annual Net Sales of a Product (on a Product-by-Product basis) during the applicable calendar year during the Royalty Term:	Royalty Rate Applicable to a Product:
Portion less than or equal to $[*]:	[*]%
Portion greater than $[*], but less than or equal to $[*]:	[*]%
Portion greater than $[*], but less than or equal to $[*]:	[*]%
Portion greater than $[*], but less than or equal to $[*]:	[*]%
Portion greater than $[*]:	[*]%

(b) Royalties payable under this Section 6.4 shall be paid on a country-by- country basis from the date of the first commercial sale of each Product with respect to which royalty payments are due until the later of (i) the [*] ([*]) anniversary of the first commercial sale of the Product in such country, and (ii) the expiration date in such country of the last to expire of any Patent within the AnaptysBio Patents or the Collaboration Patents covering the manufacture, use or sale of such Product in such country (the "**Royalty Term**"). For the avoidance of doubt, TESARO's obligation to pay royalties under this Section 6.4 is imposed only once with respect to the same unit of Product, notwithstanding such Product may be covered by more than one valid claim of an AnaptysBio Patent or Collaboration Patent.

(c) If TESARO pays royalties to any Third Party in a country in order to make, use, sell, offer for sale or import the Development Antibody component of a Product in such country, then TESARO shall have the right to credit [*] percent ([*]%) of such Third Party royalty payments against the royalties owing to AnaptysBio under Section 6.4(a) with respect to sales of such Product in such country; provided, however, that TESARO shall not reduce the amount of the royalties owing to AnaptysBio under Section 6.4(a) with respect to such Product in such country to less than [*] percent ([*]%) of the royalties that would otherwise be due under Section 6.4(a) with respect to such Product in such country. Notwithstanding the foregoing, if TESARO pays any such royalties to a Third Party that [*].

7. PAYMENTS; RECORDS

7.1. Payment Method. All payments due under this Agreement shall be made from a bank located in the United States by bank wire transfer in immediately available funds to a bank account designated by AnaptysBio. All payments hereunder shall be made in U.S. dollars. In the event that the due date of any payment subject to Section 6 is a Saturday, Sunday or national holiday, such payment may be paid on the following business day. Any payments that are not paid on the date such payments are due under this Agreement shall bear interest to the extent permitted by applicable law at the rate of [*] percent ([*]%) per annum, calculated on the number of days such payment is delinquent.

7.2. Taxes. All payments required to be paid to AnaptysBio pursuant to this Agreement shall be paid with deduction for withholding for or on account of any taxes (other than taxes imposed on or measured by net income) or similar governmental charge.

7.3. Royalty Payments and Reports. Royalty payments under this Agreement with respect to Net Sales of Product in a given calendar quarter shall be made to AnaptysBio or its designee quarterly within [*] ([*]) days following the applicable calendar quarter. Each royalty payment shall be accompanied by a report [*].

7.4. Books and Records; Accounting and Audits. Each Party shall maintain complete and accurate books and records, in accordance with GAAP, which are relevant to, as applicable, costs or expenses to be reimbursed by TESARO, or payments to made to AnaptysBio, under this Agreement, which books and records shall be sufficient in detail to verify all payment amounts due to a Party hereunder. The Party requesting an audit (the "**Auditing Party**") shall have the right, at its own expense and not more than once in any calendar year during the term of this Agreement, to have an independent, certified public accountant, selected by the Auditing Party, and under an obligation of confidence, audit the books and records of the other Party (the "**Audited Party**") in the location(s) where such books and records are maintained upon reasonable notice (which shall be no less than fifteen (15) business days prior written notice) and during regular business hours, and for the sole purpose of verifying the basis and accuracy of payments required and made under this Agreement. The report and communication of such accountant with respect to such an audit shall be limited to a certificate stating whether any, as applicable, report made or reimbursement or other payment submitted during such period is accurate or inaccurate and, if a discrepancy is identified, shall also indicate the amount and if applicable, with respect to any report, the nature, of any discrepancy, and the correct information (with respect to the applicable period). Such accountant shall provide AnaptysBio and TESARO with a copy of each such report simultaneously. Should the audit lead to the discovery of a discrepancy: (i) to the Auditing Party's detriment, the Audited Party shall pay to the Auditing Party the amount of the discrepancy within thirty (30) days of the Audited Party's receipt of the report; or (ii) to the Audited Party's detriment, the Audited Party may, as applicable, credit the amount of the discrepancy against future payments payable to the Auditing Party under this Agreement, and if there are no such payments payable, then the Auditing Party shall pay to the Audited Party the amount of the discrepancy within thirty (30) days of the Auditing Party's receipt of the report. Additionally, in the event that the discrepancy is to the Auditing Party's detriment and is greater than five percent (5%) of the amount due for such audited period, then the Audited Party shall pay or reimburse the reasonable cost charged by such accountant for such audit. Once the Auditing Party has conducted an audit permitted by this Section 7.4 in respect of any period, it may not re-inspect the Audited Party's books and records in respect of such period, unless a subsequent audit of a separate reporting period uncovers fraud on the part of the Audited Party that is reasonably expected to have been occurring during the prior audited period. For clarity, however, if a discrepancy is identified by the accountant during the course of an audit and the Parties do not agree upon a resolution of such discrepancy, then the Auditing Party's accountant may re-inspect the books and records to the extent reasonably relevant to resolving such discrepancy. Notwithstanding anything herein to the contrary, upon the expiration of three (3) years following the end of any calendar year, the right to audit, the books and records for such calendar year shall expire and such Party shall be released from any liability or accountability with respect to payments or FTE work performed as reflected in such books of such Party for such calendar year (including, for clarity, with respect to the calculation of royalties payable with respect to each such calendar year). The Parties shall no longer be required to retain such books and records for any calendar year after the expiration of the third (3rd) calendar year following such calendar year.

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7.5. Blocked Currency. If at any time legal restrictions in the Territory prevent the prompt remittance of any payments with respect to sales therein, TESARO shall have the right and option to make such payments by depositing the amount thereof in local currency to AnaptysBio account in a bank or depository in the Territory.

7.6. Confidentiality. Each Party shall treat all financial information of the other Party that is subject to review under this Section 7 of this Agreement (including all royalty reports) as such other Party's Confidential Information.

8. DILIGENCE; REVERSION

8.1. Products. TESARO shall use Commercially Reasonable Efforts to (a) fund the development of each Discovery Program as set forth in the applicable Discovery Plan and until each Discovery Program has reached the applicable key program decision point set forth in the applicable Discovery Plan, (b) advance at least one Development Antibody with respect to each Development Program, (c) research, test and develop Products, (d) obtain regulatory approval for preclinical, clinical and commercial use of at least one Product with respect to each Development Program, and (e) commercialize Products and attempt to obtain the optimum commercial return for each Product in all major markets throughout the world. [*]

8.2. Reversion. If TESARO fails to satisfy its obligations under Section 8.1 with respect to a Discovery Program or Development Program, or discontinues development of all Products within a Discovery Program or Development Program, then all rights to that Discovery Program and/or Development Program, including Development Antibody, Products, data, result, materials and Collaboration IP Rights resulting from such Discovery Program or Development Program shall revert to AnaptysBio in accordance with Sections 14.4(b), 14.4(d) or 14.4(e) without any further obligation to TESARO.

9. INTELLECTUAL PROPERTY

9.1. Ownership of Inventions; Disclosure.

(a) Ownership. Title to all inventions and other intellectual property made by employees of AnaptysBio in the course of performing, or in connection with, the Discovery Programs shall be owned by AnaptysBio; title to all inventions and other intellectual property made by employees of TESARO in the course of performing, or in connection with, the Discovery Programs or the further development of a Product shall be owned by TESARO; title to all inventions and other intellectual property made jointly by employees of TESARO and AnaptysBio in the course of performing, or in connection with, the Discovery Programs shall be owned jointly by TESARO and AnaptysBio. Inventorship of inventions and other intellectual property made pursuant to this Agreement shall be determined in accordance with the patent laws of the United States. Except as expressly provided in this Agreement, neither Party shall have any obligation to account to the other for profits, or to obtain any approval of the other Party to license or exploit patented jointly-owned subject matter, by reason of joint ownership thereof, and each Party hereby waives any right it may have under the laws of any jurisdiction to require any such consent or accounting. Notwithstanding the foregoing, AnaptysBio is and shall be the sole owner of the AnaptysBio Platform.

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(b) Disclosure of Inventions. Each Party shall promptly disclose to the other any inventions made in connection with this Agreement.

9.2. Patent Prosecution. Prior to the IND clearance for a Product resulting from a Discovery Program, AnaptysBio shall be responsible, at TESARO's expense, for (i) preparing, filing, prosecuting and maintaining Patent applications and Patents directed to Collaboration Patents claiming the manufacture, composition or use of such Product, and (ii) for conducting any interferences, re-examinations, reissues and oppositions relating thereto ("**Prosecute and Maintain**"); provided, that TESARO's financial obligations with respect to any such interference or opposition shall be subject to AnaptysBio obtaining TESARO's prior written consent with respect to any such action and the associated costs. After IND clearance for a Product resulting from a Discovery Program, TESARO shall be responsible at TESARO's expense to Prosecute and Maintain the applicable Collaboration Patents. The Party that is tasked to Prosecute and Maintain shall keep the other Party informed with respect to the prosecution and issuance of the Collaboration Patents and provide prompt notice of all material matters related thereto (including upon such Party's request), and the other Party shall reasonably cooperate with and assist the Party tasked to Prosecute and Maintain in connection with such activities, including without limitation by making scientists and scientific records reasonably available and the execution of all such documents and instruments and the performance of such acts as may be reasonably necessary in order to continue any filing, prosecution, maintenance or extension thereof.

9.3. Enforcement and Defense.

(a) Each Party shall promptly notify the other of any knowledge it acquires of any potential infringement of the Collaboration Patents by a Third Party.

(b) If any Patent within the Collaboration Patents is infringed by a Third Party in any country in the Territory in connection with the manufacture, use and sale of a product the same as or substantially similar to a Product in the Field in such country, TESARO shall have the primary right, but not the obligation, to institute, prosecute, and control any action or proceeding with respect to such infringement of such Patent, by counsel of its own choice, and AnaptysBio shall have the right, at its own expense, to be represented in that action by counsel of its own choice. If TESARO fails to bring an action or proceeding within a period of one hundred twenty (120) days after a request by AnaptysBio to do so, AnaptysBio shall have the right to bring and control any such action by counsel of its own choice, and TESARO shall have the right to be represented in any such action by counsel of its own choice at its own expense.

(c) If one Party brings an action or proceeding in accordance with Section 9.3(b), the second Party agrees to be joined as a party plaintiff if necessary and to give the first Party reasonable assistance and authority to file and prosecute the suit. The costs and expenses of the Party bringing suit under this Section shall be borne by such Party, and any damages or other monetary awards recovered shall be shared as follows: The amount of such recovery actually received by the Party controlling such action shall first be applied to the out-of- pocket costs of such action, and then (i) if TESARO is the Party that brings such action or proceeding, then AnaptysBio shall be paid an amount equal to the royalties, if any, that would have been due upon sales of the infringing product as if such infringing sales had been Net Sales of a Product sold by

or under the authority of TESARO, and the remaining portion of such recovery shall be paid to TESARO, or (ii) if AnaptysBio is the Party that brings such action or proceeding, then the remaining portion of such recovery shall be retained by AnaptysBio. A settlement or consent judgment or other voluntary final disposition of a suit under this Section 9.3 may be entered into without the consent of the Party not bringing the suit. Neither Party shall, however, have the right to enter into any settlement or consent to any claim to the effect that the patent protection offered under any part of the Collaboration Patents would be materially negatively affected, without the consent of the other Party, such consent not to be unreasonably withheld.

10. CONFIDENTIALITY

10.1. Confidential Information. Except as otherwise expressly provided herein, the Parties agree that, for the term of this Agreement and for ten (10) years thereafter, the receiving Party shall not, except as expressly provided in this Section 10, disclose to any Third Party any Confidential Information furnished to it by the disclosing Party hereto pursuant to this Agreement, or any results of the Discovery Programs ("**Results**"). For purposes of this Section 10, "**Confidential Information**" shall mean any information, samples or other materials, 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 at the time of such disclosure and is confirmed in writing as confidential or proprietary within forty-five (45) days after such disclosure. Notwithstanding the foregoing, Confidential Information shall not include any information that can be established by the receiving Party by competent proof that such information:

(a) was already known to the receiving Party, other than under an obligation of confidentiality, at the time of disclosure;

(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 breach of this Agreement by the receiving Party;

(d) was independently developed by the receiving Party as demonstrated by documented evidence prepared contemporaneously with such independent development; or

(e) was disclosed to the receiving Party, other than under an obligation of confidentiality, by a Third Party who had no obligation to the disclosing Party not to disclose such information to others.

10.2. Permitted Use and Disclosures. Each Party hereto may use or disclose Confidential Information disclosed to it by the other Party or Results to the extent such use or disclosure is reasonably necessary and permitted in the exercise of the rights granted hereunder in filing or prosecuting Patent applications, prosecuting or defending litigation, complying with applicable governmental laws, rules, regulations or court order or otherwise submitting information to tax or other governmental authorities, conducting clinical trials, or making a permitted sublicense or otherwise exercising license rights expressly granted by the other Party

to it pursuant to the terms of this Agreement; provided, that if a Party is required to make any such disclosure, other than pursuant to a confidentiality agreement, it will give reasonable advance notice to the other Party of such disclosure and, save to the extent inappropriate in the case of Patent applications, will use its reasonable efforts to secure confidential treatment of such information in consultation with the other Party prior to its disclosure (whether through protective orders or otherwise) and disclose only the minimum necessary to comply with such requirements. Nothing in this Article 10 shall restrict TESARO from providing Development Antibodies (and associated related information) to academic and other collaborators to conduct pre-clinical and clinical studies to further the research, development and commercialization of the Development Antibodies.

11. PUBLICITY

11.1. Nondisclosure of Terms. Each of the Parties hereto agrees not to disclose the terms of this Agreement to any Third Party without the prior written consent of the other Party hereto, which consent shall not be unreasonably withheld, except to such Party's attorneys, advisors, investors, potential investors and other similarly situated Third Parties on a need to know basis under circumstances that reasonably ensure the confidentiality thereof, or to the extent required by law. Notwithstanding the foregoing, the press release attached to the Supplemental Information Package as Exhibit B-1 shall be jointly released by both Parties promptly following the Effective Date, and the press release attached to the Supplemental Information Package as Exhibit B-2 shall be released by AnaptysBio promptly following the Effective Date. Furthermore, it is understood that either Party may be required to issue subsequent press releases or make disclosures required by law (pursuant to filings with the Securities and Exchange Commission or otherwise) relating to the terms of this Agreement or activities hereunder. The Parties agree to consult with each other reasonably and in good faith with respect to the text and timing of all such press releases or other disclosures required by law prior to the issuance thereof, provided that a Party may not unreasonably withhold or delay consent to such releases or disclosures, and that either Party may issue such press releases or make such disclosures as it determines, based on advice of counsel, are reasonably necessary to comply with laws or regulations or for appropriate stock market disclosure. Furthermore, AnaptysBio shall have the right to publicly announce, by press release or otherwise, the occurrence of each significant event under the terms of this Agreement, including the receipt of each milestone payment reference above, provided that AnaptysBio consults with TESARO reasonably and in good faith with respect to the text and timing of such public announcement prior to the issuance thereof, provided that no Confidential Information shall be disclosed without permission of TESARO.

11.2. Publications. With respect to any Discovery Program, each Party shall submit any proposed scientific publication to the other Party that relates directly to one or more Development Antibodies or Products, discloses the results of a Discovery Program or includes Confidential Information of the other Party at least thirty (30) days in advance to allow that Party to review such planned public disclosure. The reviewing Party will promptly review such proposed scientific publication and make any objections that it may have to the publication of such results or the Confidential Information of the reviewing Party contained therein. Should the reviewing Party make an objection to the publication of any such results or Confidential Information, then the Parties shall discuss the advantages and disadvantages of publishing such

results or Confidential Information. If the Parties are unable to agree on whether to publish the same, the respective Chief Executive Officers of AnaptysBio and TESARO (or, with respect to TESARO, the President) shall reasonably agree on the extent to which the publication of such results or Confidential Information shall be made. AnaptysBio acknowledges that TESARO may enter into agreements with academic and other collaborators to conduct studies with Development Antibodies, including in combination with other compounds, in all cases consistent with the license rights granted hereunder. Notwithstanding the provisions of this Section 11.2 to the contrary, TESARO shall be required only to request such collaborators comply with the provisions of this Section 11.2 with regard to their scientific publications, but TESARO shall not be in violation of this Section 11.2 as a result of the actions of such collaborators with respect thereto.

11.3. Blinded Data. For the purposes of promoting or otherwise highlighting the advantages of the AnaptysBio Platform, AnaptysBio may disclose (or cause to be disclosed) to Third Parties, blinded data relating to each of the Discovery Programs at any time during or subsequent to the term of the Agreement, provided that (a) neither TESARO, the Targets or therapeutic area shall be identified, directly or indirectly, in connection therewith, (b) TESARO shall have an opportunity to review each such disclosure at least thirty (30) days prior to the release thereof, and (c) no such disclosure shall include any Confidential Information of TESARO.

11.4. Permitted Disclosures. Notwithstanding anything to the contrary contained in this Agreement or any confidentiality agreement between the Parties, nothing herein or therein shall prevent a Party from disclosing the terms of this Agreement or such other information a Party reasonably determines, based on advice from its counsel, is necessary or desirable to disclose under applicable law, regulation or legal process (whether in connection with its ongoing disclosure obligations, in connection with a corporate activity or otherwise), including as required 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 NASDAQ, or in connection with a presentation or disclosure to investors or potential investors subject to customary and appropriate confidentiality restrictions.

12. REPRESENTATIONS AND WARRANTIES

12.1. TESARO. TESARO represents and warrants that:

(a) it has the legal power, authority and right to enter into this Agreement and to fully perform all of its obligations hereunder, and has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

(b) this Agreement is a legal and valid obligation binding upon it and enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, or other similar laws affecting creditors, generally, or general principles of equity;

(c) the performance of its obligations hereunder do not conflict with, violate or breach or constitute a default or require any consent under, any agreement, instrument or understanding, or other contractual obligations of TESARO;

(d) no government authorization, consent, approval, license, exemption of or filing or registration with any court or governmental authority, is necessary for the transactions contemplated by this Agreement or any other agreement or instrument executed in connection herewith, or for the performance by it of its obligations under this Agreement; and

(e) TESARO has not and shall not employ (or use any Subcontractor or consultant that employs) any individual or entity debarred by the FDA (or subject to a similar sanction of the EMA), or any individual who or entity which is the subject of an FDA debarment investigation or proceeding (or similar proceeding of EMA), or is convicted of a crime for which an individual or entity could be debarred under 21 U.S.C. Section 335a or its foreign equivalent or has been under indictment for a crime for which a person or entity could be debarred under such provision.

12.2. AnaptysBio. AnaptysBio represents and warrants that:

(a) it has the legal power, authority and right to enter into this Agreement and to fully perform all of its obligations hereunder, and has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

(b) this Agreement is a legal and valid obligation binding upon it and enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, or other similar laws affecting creditors, generally, or general principles of equity;

(c) the performance of its obligations hereunder do not conflict with, violate or breach or constitute a default or require any consent under, any agreement, instrument or understanding, or other contractual obligations of AnaptysBio;

(d) no government authorization, consent, approval, license, exemption of or filing or registration with any court or governmental authority, is necessary for the transactions contemplated by this Agreement or any other agreement or instrument executed in connection herewith, or for the performance by it of its obligations under this Agreement;

(e) AnaptysBio Controls the AnaptysBio Know-How and AnaptysBio Patents existing as of the Effective Date;

(f) AnaptysBio has the right to grant all rights and licenses it purports to grant to TESARO with respect to the AnaptysBio Know-How, AnaptysBio Patents and AnaptysBio Platform under this Agreement;

(g) AnaptysBio has no present knowledge that any settled, pending or threatened claim or lawsuit or legal proceeding of a Third Party against AnaptysBio or any other person alleging that the AnaptysBio Know-How, AnaptysBio Patents or AnaptysBio Platform

misappropriates or infringes, in part or in whole, the intellectual property or intellectual property rights of such Third Party;

(h) AnaptysBio has not granted any right or license to any Third Party relating to any of the AnaptysBio Know-How, AnaptysBio Patents or AnaptysBio Platform that would conflict or interfere with any of the rights or licenses granted or purported to be granted to TESARO hereunder;

(i) Schedule 12.2(i) attached hereto sets forth a complete and accurate list of the AnaptysBio Patents as of the Effective Date, indicating the owner or co-owners thereof if such AnaptysBio Patent is not solely owned by AnaptysBio. AnaptysBio has disclosed to TESARO all material information received by AnaptysBio as of the Effective Date concerning the institution of any interference, opposition, reexamination, reissue, revocation, nullification or any official proceeding involving any AnaptysBio Patent or Patent included in the AnaptysBio Platform anywhere in the Territory;

(j) To the best of AnaptysBio's knowledge as of the Effective Date, Exhibit C attached to the Supplemental Information Package sets forth a complete and accurate list of all Target Antagonists owned or Controlled by AnaptysBio as of the Effective Date;

(k) To the best of AnaptysBio's knowledge as of the Effective Date, TESARO will not be required to obtain a license or sublicense under any Third Party In-License for TESARO to research, develop, make, have made, use, sell, offer for sale, import and export Products for use in the Field and in the Territory pursuant to the rights and licenses granted to it under this Agreement;

(l) AnaptysBio has not and shall not employ (or use any Subcontractor or consultant that employs) any individual or entity debarred by the FDA (or subject to a similar sanction of the EMA), or any individual who or entity which is the subject of an FDA debarment investigation or proceeding (or similar proceeding of EMA), or is convicted of a crime for which an individual or entity could be debarred under 21 U.S.C. Section 335a or its foreign equivalent or has been under indictment for a crime for which a person or entity could be debarred under such provision; and

(m) AnaptysBio acknowledges that, in entering into this Agreement, TESARO has relied upon information supplied by AnaptysBio and information which AnaptysBio has caused to be supplied to TESARO by AnaptysBio's agents and/or representatives (all of such information being hereinafter referred to collectively as "**Product Information**"). To the knowledge of AnaptysBio as of the Effective Date, the Product Information is accurate in all material respects. AnaptysBio has not, as of the Effective Date, intentionally omitted to furnish TESARO with any material information known to AnaptysBio concerning the AnaptysBio IP Rights, AnaptysBio Platform or Development Antibodies, or the transactions contemplated by this Agreement, which would reasonably be considered to be material to TESARO's decision to enter into this Agreement and to undertake the commitments and obligations set forth herein.

12.3. Disclaimer. TESARO and AnaptysBio specifically disclaim any guarantee that the Discovery Programs will be successful, in whole or in part. The failure of the Parties to

successfully develop Products will not constitute a breach of any representation or warranty or other obligation under this Agreement. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, ANAPTYSBIO AND TESARO MAKE NO REPRESENTATIONS AND EXTEND NO WARRANTIES OR CONDITIONS OF ANY KIND, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE ANAPTYSBIO IP RIGHTS, INFORMATION DISCLOSED HEREUNDER OR PRODUCTS INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

13. INDEMNIFICATION

13.1. TESARO. TESARO agrees to indemnify, defend and hold AnaptysBio and its Affiliates and their respective directors, officers, employees, agents and their respective successors, heirs and assigns (the "**AnaptysBio Indemnitees**") harmless from and against any losses, costs, claims, damages, liabilities or expense (including reasonable attorneys' and professional fees and other expenses of litigation) (collectively, "**Liabilities**") arising, directly or indirectly out of or in connection with Third Party claims, suits, actions, demands or judgments, relating to (i) any breach by TESARO of the representations and warranties made in this Agreement, or (ii) the development or commercialization of a Product, except, in each case, to the extent such Liabilities result from the gross negligence or intentional misconduct of AnaptysBio.

13.2. AnaptysBio. AnaptysBio agrees to indemnify, defend and hold TESARO and its Affiliates and their respective directors, officers, employees, agents and their respective successors, heirs and assigns (the "**TESARO Indemnitees**") harmless from and against any Liabilities arising, directly or indirectly out of or in connection with Third Party claims, suits, actions, demands or judgments, relating to any breach by AnaptysBio of its representations and warranties made in this Agreement, except to the extent such Liabilities result from the gross negligence or intentional misconduct of TESARO.

13.3. Indemnification Procedure. A Party that intends to claim indemnification (the "Indemnitee") under this Section 13 shall promptly notify the other Party (the "**Indemnitor**") in writing of any claim, complaint, suit, proceeding or cause of action with respect to which the Indemnitee intends to claim such indemnification (for purposes of this Section 13.3, each a "**Claim**"), and the Indemnitor shall have sole control of the defense and/or settlement thereof; provided that the Indemnitee shall have the right to participate, at its own expense, with counsel of its own choosing in the defense and/or settlement of such Claim. The indemnification obligations of the Parties under this Section 13 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the consent of the Indemnitor, which consent shall not be withheld or delayed unreasonably. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any such Claim, if prejudicial to its ability to defend such action, shall relieve such Indemnitor of any liability to the Indemnitee under this Section 13, but the omission so to deliver written notice to the Indemnitor shall not relieve the Indemnitor of any liability to any Indemnitee otherwise than under this Section 13. The Indemnitee under this Section 13, and its employees, at the Indemnitor's request and

expense, shall provide full information and reasonable assistance to Indemnitor and its legal representatives with respect to such Claims covered by this indemnification.

13.4. LIMITATION OF LIABILITY. EXCEPT FOR A BREACH OF ARTICLES 10 OR 11, OR FOR ACTS OF GROSS NEGLIGENCE OR WRONGFUL INTENTIONAL ACTS OR OMISSIONS, NEITHER TESARO NOR ANAPTYSBIO, NOR ANY OF THEIR RESPECTIVE AFFILIATES OR SUBLICENSEES, SHALL BE LIABLE TO THE OTHER PARTY, ITS AFFILIATES OR ANY OF THEIR SUBLICENSEES FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, RELIANCE OR PUNITIVE DAMAGES OR LOST OR IMPUTED PROFITS, WHETHER LIABILITY IS ASSERTED IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT PRODUCT LIABILITY), INDEMNITY OR CONTRIBUTION, AND IRRESPECTIVE OF WHETHER THAT PARTY OR ANY REPRESENTATIVE OF THAT PARTY HAS BEEN ADVISED OF, OR OTHERWISE MIGHT HAVE ANTICIPATED THE POSSIBILITY OF, ANY SUCH LOSS OR DAMAGE; PROVIDED, THAT THIS LIMITATION WILL NOT LIMIT THE INDEMNIFICATION OBLIGATION OF A PARTY UNDER THE PROVISIONS OF ARTICLE 13 FOR SUCH DAMAGES CLAIMED BY A THIRD PARTY.

14. TERM AND TERMINATION

14.1. Term. Unless earlier terminated, the Agreement will continue in full force and effect, on a Product-by-Product, Discovery Program-by-Discovery Program, Development Program-by-Development Program and country-by-country basis until the date no further payments are due under Section 6 above.

14.2. Termination for Breach. Either Party to this Agreement may terminate one or more Discovery Program(s), Development Program(s) and/or this Agreement in the event the other Party hereto shall have materially breached or defaulted in any of its representations or warranties or the performance of any of its obligations hereunder, and such default shall have continued for [*] after written notice thereof was provided to the breaching Party by the non-breaching Party. Any termination shall become effective at the end of such [*] period unless the breaching Party (or any other Party on its behalf) has cured any such breach or default prior to the expiration of the [*] period; provided, however, in the case of a failure to pay any amount due hereunder, such default may be the basis of termination [*] following the date that notice of such default was provided to the breaching Party.

14.3. Termination without cause by TESARO. TESARO may terminate this Agreement in its entirety or on a Discovery Program-by-Discovery Program or Development Program-by-Development Program basis without cause upon [*] prior written notice to AnaptysBio.

14.4. Effect of Breach or Termination.

(a) Accrued Rights and Obligations. Termination of this Agreement, or any portion hereof, for any reason shall not release either Party hereto from any 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 nor preclude either Party from pursuing any rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement.

(b) Return of Materials. Upon a termination of this Agreement, in its entirety, TESARO and AnaptysBio shall promptly return to the other all Confidential Information of the other Party, except one copy of which may be retained for archival purposes. Upon termination of this Agreement, a Discovery Program or a Development Program by TESARO pursuant to Section 14.3, or by AnaptysBio pursuant to Section 14.2, TESARO shall return to AnaptysBio copies of records received by TESARO pursuant to Section 2.9 or, if only a Discovery Program or a Development Program is terminated, then those records received by TESARO pursuant to Section 2.9, with respect to the terminated program.

(c) Effect of Termination of Agreement by TESARO Without Cause or by AnaptysBio for Breach by TESARO. If TESARO terminates this Agreement in its entirety without cause pursuant to Section 14.3 or if AnaptysBio terminates this Agreement in its entirety pursuant to Section 14.2 for breach by TESARO, then:

(i) all licenses and rights to TESARO under Section 5.1 shall concurrently terminate, and TESARO and its Affiliates and sublicensees shall immediately cease all manufacture, development and commercialization of Products; provided, that TESARO and its Affiliates, sublicensees and distributors shall be entitled, during the twelve (12) month period immediately following the effective date of termination, to finish any work-in-progress and to sell any Products remaining in inventory, in accordance with the terms of this Agreement;

(ii) TESARO hereby grants to AnaptysBio an irrevocable, non- exclusive, worldwide license, with the right to grant and authorize sublicenses, under TESARO's interest in the Collaboration IP Rights, TESARO Patents and TESARO Know-How, to make, have made, use, sell, offer to sell and import Products;

(iii) To the extent permitted by applicable regulatory authorities, TESARO shall and hereby does transfer to AnaptysBio all regulatory filings and regulatory approvals for the Products held by TESARO, its Affiliates or sublicensees, or if the foregoing transfer is not permitted by the applicable regulatory authority, TESARO hereby permit AnaptysBio to cross-reference and rely upon any such regulatory approvals and regulatory filings;

(iv) AnaptysBio shall have the sole right to Prosecute and Maintain, and to solely enforce, all Collaboration IP Rights; and

(v) Upon AnaptysBio's request, TESARO shall continue all on-going development for the Products for a mutually agreed upon migration period after termination of this Agreement ("**Migration Period**"). During such Migration Period, TESARO shall provide such knowledge transfer and other training to AnaptysBio as reasonably necessary for AnaptysBio to continue such activities. In connection with such transfer, TESARO shall, subject to subsection (i) above: (A) transfer to AnaptysBio all quantities of Products manufactured by TESARO in TESARO's control as of the effective date of termination, (B) assign to AnaptysBio any agreements with Third Parties with respect to the development or commercialization of

Product (to the extent assignable) and (C) continue funding FTEs (equivalent to the number of FTEs being funded upon the date of notice of termination) for a mutually agreed period not to exceed [*].

(d) Effect of Termination of Discovery Program. If AnaptysBio terminates a Discovery Program pursuant to Section 14.2 for breach by TESARO, or TESARO discontinues a Discovery Program in accordance with Section 8.2, then:

(i) AnaptysBio's obligations to conduct further activities under the applicable Discovery Program shall terminate as of the effective date of such termination; and

(ii) all licenses and rights to TESARO under Section 5.1 for the Products resulting from such Discovery Program shall concurrently terminate, and TESARO and its Affiliates and sublicensees shall immediately cease all manufacture, development and commercialization of such Products;

(iii) TESARO hereby grants to AnaptysBio an irrevocable, non- exclusive, worldwide license, with the right to grant and authorize sublicenses, under TESARO's interest in the Collaboration IP Rights, TESARO Patents and TESARO Know-How, to make, have made, use, sell, offer to sell and import Products resulting from such Discovery Program;

(iv) To the extent permitted by applicable regulatory authorities, TESARO shall and hereby does transfer to AnaptysBio all regulatory filings and regulatory approvals for the Product resulting from such Discovery Program held by TESARO, its Affiliates or sublicensees, or if the foregoing transfer is not permitted by the applicable regulatory authority, TESARO hereby permit AnaptysBio to cross-reference and rely upon any such regulatory approvals and regulatory filings;

(v) AnaptysBio shall have the sole right to Prosecute and Maintain, and to solely enforce, all Collaboration IP Rights that are the subject of such Discovery Program; and

(vi) Upon AnaptysBio's request, TESARO shall continue all on-going development for the Products resulting from such Discovery Program for a mutually agreed upon Migration Period after termination of this Agreement. During such Migration Period, TESARO shall provide such knowledge transfer and other training to AnaptysBio as reasonably necessary for AnaptysBio to continue such activities. In connection with such transfer, TESARO shall: (A) transfer to AnaptysBio all quantities of Product resulting from such Discovery Program generated by TESARO in TESARO's control as of the effective date of termination, (B) assign to AnaptysBio any agreements with Third Parties with respect to the development or commercialization of such Products (to the extent assignable), and (C) continue funding FTEs (equivalent to the number of FTEs being funded upon the date of notice of termination) for a mutually agreed period not to exceed [*].

(e) Effect of Termination of Development Program. If AnaptysBio terminates a Development Program pursuant to Section 14.2 for breach by TESARO, or TESARO discontinues a Development Program in accordance with Section 8.2, then:

(i) all licenses and rights to TESARO under Section 5.1 for the Products resulting from such Development Program shall concurrently terminate, and TESARO and its Affiliates and sublicensees shall immediately cease all manufacture, development and commercialization of such Products;

(ii) TESARO hereby grants to AnaptysBio an irrevocable, non- exclusive, worldwide license, with the right to grant and authorize sublicenses, under TESARO's interest in the Collaboration IP Rights, TESARO Patents and TESARO Know-How, to make, have made, use, sell, offer to sell and import Products resulting from such Development Program;

(iii) To the extent permitted by applicable regulatory authorities, TESARO shall and hereby does transfer to AnaptysBio all regulatory filings and regulatory approvals for the Product resulting from such Development Program held by TESARO, its Affiliates or sublicensees, or if the foregoing transfer is not permitted by the applicable regulatory authority, TESARO hereby permit AnaptysBio to cross-reference and rely upon any such regulatory approvals and regulatory filings;

(iv) AnaptysBio shall have the sole right to Prosecute and Maintain, and to solely enforce, all Collaboration IP Rights that are the subject of such Development Program; and

(v) Upon AnaptysBio's request, TESARO shall continue all on-going development for the Products resulting from such Development Program for a mutually agreed upon Migration Period after termination of this Agreement. During such Migration Period, TESARO shall provide such knowledge transfer and other training to AnaptysBio as reasonably necessary for AnaptysBio to continue such activities. In connection with such transfer, TESARO shall: (A) transfer to AnaptysBio all quantities of Product resulting from such Discovery Program manufactured by TESARO in TESARO's control as of the effective date of termination, (B) assign to AnaptysBio any agreements with Third Parties with respect to the development or commercialization of such Products (to the extent assignable), and (C) continue funding FTEs (equivalent to the number of FTEs being funded upon the date of notice of termination) for a mutually agreed period not to exceed the remaining portion of the then-current calendar quarter and one (1) full calendar quarter following the effective date of termination.

(f) Effect of Termination by TESARO With Cause or by TESARO for Breach by AnaptysBio. If TESARO terminates one or more Discovery Programs or this Agreement pursuant to Section 14.2 for breach by AnaptysBio, then:

(i) all licenses and rights to TESARO under Section 5.1 with respect to the applicable Discovery Program(s), Development Program(s) and Products shall automatically become perpetual and irrevocable; provided, that the payment obligations under Sections 6.3 and 6.4 shall continue; provided, however, that if TESARO terminated this Agreement pursuant to AnaptysBio's uncured material breach of Article 5, then without limiting any other rights or remedies available to TESARO, TESARO shall continue to make payments to AnaptysBio under Sections 6.3 and 6.4 but at [*] percent ([*]%) of the amounts set forth therein when and if they become due;

***Confidential Treatment Requested.**

(ii) AnaptysBio and its Affiliates and sublicensees shall immediately cease all research, development or other activities with respect to applicable Development Antibodies and Products resulting from such Discovery Program;

(iii) To the extent permitted by applicable regulatory authorities, AnaptysBio shall and hereby does transfer to TESARO all regulatory filings and regulatory approvals for the applicable Products resulting from such Discovery Program held by AnaptysBio, its Affiliates or sublicensees, or if the foregoing transfer is not permitted by the applicable regulatory authority, AnaptysBio shall, and hereby does, permit TESARO to cross- reference and rely upon any such regulatory approvals and regulatory filings;

(iv) TESARO shall have the sole right to Prosecute and Maintain, and to solely enforce, all Collaboration IP Rights specific to such Discovery Program; and

(v) Upon TESARO's request, AnaptysBio shall continue all on-going development under such Discovery Program and for applicable Products for a mutually agreed upon Migration Period after termination of this Agreement. During such Migration Period, AnaptysBio shall provide such knowledge transfer and other training to TESARO or its designees as reasonably necessary for TESARO to continue such activities. In connection with such transfer, AnaptysBio shall transfer to TESARO all quantities of applicable Development Antibodies and Products manufactured by or on behalf of AnaptysBio and in the possession or control of AnaptysBio or its affiliates or contractors as of the effective date of termination, and assign to TESARO any agreements with Third Parties with respect to the research, development or commercialization of applicable Development Antibodies or Products.

14.5. Expiration. Upon the expiration of the last to expire Royalty Term for Products resulting from a Discovery Program and Development Program, all licenses and rights to TESARO under Section 5.1 with respect to such Discovery Program and Development Program and Products shall automatically become fully paid up, perpetual and irrevocable.

14.6. Survival Sections. Sections 7, 9, 10, 13, 14.4, 14.5, 14.6, 14.7 and 15 shall survive the expiration or termination of this Agreement for any reason.

14.7. Termination Not Sole Remedy. Termination is not the sole remedy under this Agreement and, whether or not termination is effected, all other remedies will remain available except as agreed to otherwise herein.

15. MISCELLANEOUS

15.1. Governing Laws. This Agreement and any dispute arising from the construction, performance or breach hereof shall be governed by and construed, and enforced in accordance with, the laws of the State of Delaware, without reference to conflicts of laws principles thereof that would result in the application of any other law.

15.2. Waiver. It is agreed that no waiver by either Party hereto of any breach or default of any of the covenants or agreements herein set forth shall be deemed a waiver as to any subsequent and/or similar breach or default.

15.3. Assignment. This Agreement shall not be assignable by either Party to any Third Party hereto without the written consent of the other Party hereto, and any attempted assignment shall be null and void. Notwithstanding the foregoing, either Party may assign this Agreement, without such consent, to an entity that acquires all or substantially all of the business or assets of such Party to which this Agreement pertains, whether by merger, reorganization, acquisition, sale, or otherwise. This Agreement shall be binding upon and accrue to the benefit any permitted assignee, and any such assignee shall agree to perform the obligations of the assignor.

15.4. Independent Contractors. The relationship of the Parties hereto is that of independent contractors. The Parties hereto are not deemed to be agents, partners or joint venturers of the others for any purpose as a result of this Agreement or the transactions contemplated thereby.

15.5. Compliance with Laws. In exercising their rights under this license, the Parties shall fully comply in all material respects with the requirements of any and all applicable laws, regulations, rules and orders of any governmental body having jurisdiction over the exercise of rights under this license including, without limitation, those applicable to the discovery, development, manufacture, distribution, import and export and sale of Products pursuant to this Agreement.

15.6. Notices. All notices, requests and other communications hereunder shall be in writing and shall be personally delivered or by registered or certified mail, return receipt requested, postage prepaid, in each case to the respective address specified below, or such other address as may be specified in writing to the other Parties hereto and shall be deemed to have been given upon receipt:

If to TESARO:	TESARO, Inc. 1000 Winter Street, Suite 3300 Waltham, Massachusetts 02541 Attention: Leon O. Moulder, Jr., Chief Executive Officer Facsimile: 339-230-3961 and TESARO Development Ltd. Clarendon House 2 Church Street Hamilton HM 11 Bermuda Attention: Corporate Secretary
with a copy (which shall not constitute notice) to:	Hogan Lovells US LLP 100 International Drive, Suite 2000

	Baltimore, MD 21202 Attention: Asher M. Rubin Facsimile: 410-659 2701
If to AnaptysBio:	AnaptysBio, Inc. 10421 Pacific Center Court, Suite 200 San Diego, CA 92121 Attention: Hamza Suria, Chief Executive Officer Facsimile: 858-366-9055
with a copy (which shall not constitute notice) to:	Fenwick & West 1191 Second Avenue, 10th Floor Seattle, WA 98101 Attention: Effie Toshav Facsimile: 206-389-4511

15.7. Severability. Each Party hereby agrees that it does not intend to violate any public policy, statutory or common laws, rules, regulations, treaty or decision of any government agency or executive body thereof of any country or community or association of countries. Should one or more provisions of this Agreement be or become invalid, the Parties hereto shall substitute, by mutual consent, valid provisions for such invalid provisions which valid provisions in their economic effect are sufficiently similar to the invalid provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such valid provisions. In the event a Party seeks to avoid a material provision of this Agreement upon an assertion that such provision is invalid, illegal or otherwise unenforceable, the other Party shall have the right to terminate this Agreement upon sixty (60) days prior written notice to the asserting Party, unless such assertion is eliminated and cured within such sixty (60) day period. Such a termination shall be deemed a termination by such Party for breach pursuant to Section 14.2.

15.8. Force Majeure. Neither Party shall lose any rights hereunder or be liable to the other Party for damages or losses (except for payment obligations) on account of failure of performance by the defaulting Party if the failure is occasioned by war, strike, fire, Act of God, earthquake, flood, lockout, embargo, governmental acts or orders or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the reasonable control and not caused by the negligence, intentional conduct or misconduct of the non-performing Party and such Party has exerted all reasonable efforts to avoid or remedy such force majeure; provided, however, that in no event shall a Party be required to settle any labor dispute or disturbance.

15.9. Complete Agreement. This Agreement and the Supplemental Information Package, constitute the entire agreement, both written and oral, between the Parties with respect to the subject matter hereof, and all prior agreements respecting the subject matter hereof, either written or oral, express or implied, shall be abrogated, canceled, and are null and void and of no effect. No amendment or change hereof or addition hereto shall be effective or binding on either of the Parties hereto unless reduced to writing and executed by the respective duly authorized representatives of AnaptysBio and TESARO. TESARO, Inc., and TESARO Development, Ltd shall be jointly and severally liable for all obligations of TESARO under this Agreement.

15.10. Headings. The captions to the several Sections hereof are not a part of this Agreement, but are included merely for convenience of reference and shall not affect its meaning or interpretation.

15.11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same agreement.

[signature page follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Collaboration and Exclusive License Agreement to be duly executed by their authorized representatives and delivered in duplicate originals effective as of the Effective Date.

TESARO, INC.

By: /s/ Leon O. Moulder, Jr.

Name: Leon O. Moulder, Jr.

Title: Chief Executive Officer

ANAPTYSBIO, INC.

By: /s/ Hamza Suria

Name: Hamza Suria

Title: President & CEO

TESARO DEVELOPMENT, LTD.

By: /s/ Leon O. Moulder, Jr.

Name: Leon O. Moulder, Jr.

Title: Chief Executive Officer

Schedule 12.2(i)
AnaptysBio Patents

[*]

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AMENDMENT NO. 1

TO COLLABORATION AND EXCLUSIVE LICENSE AGREEMENT

This Amendment No. 1 to the Collaboration and Exclusive License Agreement (this "**Amendment**") effective as of November 28, 2014 (the "**Amendment Date**"), is entered into is made by and between (i) **AnaptysBio, Inc.**, a Delaware corporation, having a place of business at 10421 Pacific Center Court, Suite 200, San Diego, California 92121 ("**AnaptysBio**"), and (ii) **TESARO, Inc.**, a Delaware corporation, having a place of business at 1000 Winter Street, Suite 3300, Waltham, Massachusetts 02541 ("**TESARO US**") and **TESARO Development, Ltd.**, a Bermuda corporation, having its principal office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (together with TESARO US, "**TESARO**").

WHEREAS, the parties previously entered into that certain Collaboration and Exclusive License Agreement dated as of March 10, 2014 (the "Agreement");

WHEREAS, the parties wish to amend the Agreement in certain respects on the terms and conditions set forth herein.

NOW THEREFORE, capitalized terms not defined in this Amendment shall have the meaning ascribed in the Agreement, and the parties hereby agree as follows:

1. Amendment License Fee. Within ten (10) business days following the Amendment Date, TESARO shall pay to AnaptysBio a non-creditable, non-refundable license fee of two million dollars (USD $2,000,000.00).

2. Amendment. The following Sections of the Agreement are hereby amended and replaced in their entirety as follows:

2.1. Section 1 of the Agreement is amended to add the following new definitions:

(a) 1.51 "**[*]**" shall mean [*].

(b) 1.52 "**[*]**" shall mean both [*] and shall be used with respect to a Development Antibody that is specifically designed to cross-react and antagonize both [*].

(c) 1.53 "**[*] Development Program**" shall mean the development program to be conducted in accordance with Section 3 for the development of Development Antibodies generated under the [*] Discovery Program.

(d) 1.54 "**[*] Discovery Program**" shall mean the discovery program to be conducted in accordance with Section 2 for the development of antibodies directed to antagonize both [*].

2.2. Section 1.14, the definition of "Development Programs", is amended to add the [*] Development Program.

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2.3. Section 1.15, the definition of "Discovery Plan", is amended to add Exhibit A-4 to the Supplemental Information Package.

2.4. Section 1.16, the definition of "Discovery Programs", is amended to add the [*] Discovery Program.

2.5. Section 1.41, the definition of "Target(s)", is amended to include [*].

2.6. Section 2.4 is hereby amended by adding the following new sentence immediately following the end of Section 2.4: "Exhibit A-4 to the Supplemental Information Package is hereby added as an additional Discovery Program to be carried out in accordance with this Agreement."

2.7. Section 5.3(a) of the Agreement is hereby amended by adding the following new sentence immediately following the end of Section 5.3(a):

[*]

3. TESARO shall pay AnaptysBio each of the milestone payments set forth in Section 6.3 of the License Agreement [*].

4. Discovery Plan. The Discovery Plan for the [*] Discovery Program shall be added to the Supplemental Information Package as Exhibit A-4, thereto.

5. Press Release. Disclosure of the terms of this Amendment are subject to Section 11.1 of the Agreement, provided that the press release attached to this Amendment as Appendix A shall be jointly released by both Parties promptly following the Amendment Date.

6. Miscellaneous. This Amendment shall be effective for all purposes as of the Amendment Date. Except as expressly modified herein, the Agreement shall continue to remain in full force and effect in accordance with its terms. This Amendment may be executed in counterparts, each of which shall be deemed to be an original and together shall be deemed to be one and the same document.

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective duly authorized representatives effective as of the Amendment Date.

TESARO, INC.

By: /s/ Leon O. Moulder, Jr.

Name: Leon O. Moulder, Jr.

Title: Chief Executive Officer

ANAPTYSBIO, INC.

By: /s/ Hamza Suria

Name: Hamza Suria

Title: President & CEO

TESARO DEVELOPMENT, LTD.

By: /s/ Leon O. Moulder, Jr.

Name: Leon O. Moulder, Jr.

Title: Chief Executive Officer

Appendix A

Press Release

FOR RELEASE ON DECEMBER 2, 2014 AT 5:15 AM ET

TESARO AND ANAPTYSBIO EXPAND IMMUNO-ONCOLOGY COLLABORATION TO INCLUDE NOVEL BISPECIFIC ANTIBODY CANDIDATE

—Candidate Will Target Two Undisclosed Immune Checkpoints
—Anti-TIM-3 Antibody Data to be Presented Today at the AACR Conference in Orlando

WALTHAM, MA, and SAN DIEGO, CA – December 2, 2014 – TESARO, Inc. (NASDAQ: TSRO), an oncology-focused biopharmaceutical company, and AnaptysBio, Inc., a privately-held therapeutic antibody company, today announced an expansion of their immuno-oncology collaboration and exclusive license agreement to include development of a novel bispecific antibody candidate designed to target two undisclosed immune checkpoints.

AnaptysBio and TESARO first initiated their collaboration in March of 2014, and have together focused on the development of monospecific antibody drug candidates targeting TIM-3, LAG-3 and PD-1 and dual reactive antibody drug candidates targeting PD-1/TIM-3 and PD-1/LAG-3. Since the beginning of this partnership, Investigational New Drug (IND) enabling preclinical studies of TSR-042 (anti-PD-1 antibody candidate) have been initiated, and additional clinical candidates have been identified, including lead candidates targeting TIM-3 and LAG-3.

“Through our collaboration with AnaptysBio, we are employing a variety of approaches, including monospecific, bispecific and dual specific antibodies, to address some of the most validated and promising immune checkpoint targets,” said Mary Lynne Hedley, president and COO of TESARO. “We are committed to advancing the science of immuno-oncology in order to potentially transform the care of patients with cancer. Our team looks forward to continued collaboration with AnaptysBio on these programs and to the presentation of data describing our anti-TIM-3 antibody candidate at the AACR conference later today in Orlando.”

“AnaptysBio continues to focus on the development of therapeutic antibodies for unmet medical needs in immuno-oncology, inflammation and fibrosis. Our strategic advantage is the ability to rapidly discover and develop therapeutic antibodies against emerging biological targets using the natural somatic hypermutation mechanism encoded within the human immune system,” said Hamza Suria, president and CEO of AnaptysBio. “We are pleased to expand our collaboration with TESARO, and look forward to advancing multiple immuno-oncology antibodies into the clinic.”

Under the terms of this expansion, TESARO will pay AnaptysBio an undisclosed upfront fee and will provide funding for all costs incurred by AnaptysBio related to the development of a clinical antibody candidate. For each program within the collaboration, AnaptysBio is eligible to receive milestone payments if certain research and development events are achieved and additional payments for achievement of certain U.S. and ex-U.S. regulatory submissions and approvals in multiple indications. AnaptysBio will also be eligible to receive royalties related to worldwide net sales of products developed under the collaboration, and may earn certain commercial milestone payments if specified levels of annual worldwide net sales are attained. AnaptysBio and TESARO will together complete preclinical development of the antibody candidates, with

TESARO being solely responsible for all clinical development, manufacturing, regulatory and commercial activities.

AACR Poster Presentation Details

AACR Conference: Tumor Immunology and Immunotherapy: A New Chapter (Orlando) Tuesday, December 2, 2014, 1:15 PM to 3:30 PM, Poster Session A
Abstract title: *Identification and characterization of a potent anti-human TIM-3 antagonist*

This poster will be available following its presentation at: http://www.tesarobio.com/documents/AACRDec2014.pdf

About AnaptysBio

AnaptysBio is a privately-held antibody development company advancing first-in-class programs in immuno-oncology, inflammation and fibrosis. AnaptysBio's proprietary SHM-XEL™ platform, which couples fully human antibody libraries with in vitro somatic hypermutation in mammalian cells to generate high affinity antibodies. replicates key features of the human immune system and overcomes limitations of prior antibody technologies. Multiple antibodies emanating from the AnaptysBio pipeline are currently undergoing IND-enabling studies with potentially transformative clinical read-outs during the 2016-2017 timeframe. For more information, visit www.anaptysbio.com

About TESARO

TESARO is an oncology-focused biopharmaceutical company dedicated to improving the lives of cancer patients by acquiring, developing and commercializing safer and more effective therapeutics. For more information, visit www.tesarobio.com.

TESARO Contact:
Jennifer Davis Sr.
Director, Corporate Development & Investor Relations
+1.781.325.1116 or jdavis@tesarobio.com

AnaptysBio Contact:
Julie Rathbun
+1.206.769.9219 or julie@rathbuncomm.com

To the extent that statements contained in this press release are not descriptions of historical facts regarding TESARO, they are forward-looking statements reflecting the current beliefs and expectations of management made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "may," "will," "expect," "anticipate," "estimate," "intend," and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) are intended to identify forward-looking statements. Examples of forward looking statements contained in this press release include, among others, statements regarding our expectations regarding the timing of both the selection of clinical candidates from the programs and the commencement of clinical testing, our development plans for any antibody therapeutic candidates individually and in combination

other products and product candidates, and our ability to form partnerships in the future in support of our overall oncology strategy. Forward-looking statements in this release involve substantial risks and uncertainties that could cause our research and pre-clinical development programs, clinical development programs, future results, performance or achievements to differ significantly from those expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others. the uncertainties inherent in the research and development of therapeutic antibodies, including the selection, pre-clinical testing and manufacturing of antibodies, initiation of future clinical trials, availability of data from ongoing clinical trials, expectations for regulatory approvals, and other matters that could affect the availability or commercial potential of our drug candidates. TESARO undertakes no obligation to update or revise any forward-looking statements. For a further description of the risks and uncertainties that could cause actual results to differ from those expressed in these forward-looking statements, as well as risks relating to the business of the Company in general, see TESARO's Annual Report on Form 10-K for the year ended December 31, 2013, and Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.

###

EXHIBIT 10.12

[*] Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

CONFIDENTIAL

LICENSE AGREEMENT

Between

ANAPTYS BIOSCIENCES, INC.
(ANAPTYS)

and

MEDICAL RESEARCH COUNCIL
(MRC)

This Exclusive License Agreement ("Agreement"), is entered into as of the 30th day of August 2006 (hereinafter called "Effective Date"), by and between the MEDICAL RESEARCH COUNCIL ("MRC"), a UK government funded non-departmental body with principal offices at, 20 Park Crescent, London, W1B 1AL, United Kingdom and ANAPTYS BIOSCIENCES, INCORPORATED ("ANAPTYS"), a corporation organized under the laws of Delaware and having a principal place of business at 10931 North Torrey Pines Road, Suite 101, La Jolla, California 92037, United States of America.

RECITALS

WHEREAS, the MRC is the owner of certain Patent Rights (as defined below);

WHEREAS, the MRC is willing to grant a royalty bearing, exclusive license to the Patent Rights to ANAPTYS on the terms and subject to the conditions set forth herein; and

WHEREAS, ANAPTYS desires to obtain said exclusive license under the Patent Rights.

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto hereby expressly agree as set forth below.

1. DEFINITIONS

1.1 "**Affiliates**" means any corporation, partnership, joint venture or other entity of which more than fifty percent (50%) of the voting stock or other equity ownership thereof is owned or controlled by, or under common control with ANAPTYS, or which owns or controls more than fifty percent (50%) of the voting stock or other equity ownership of ANAPTYS.

1.2 "**Confidential Information**" means any confidential information of a Party relating to any use, process, method, compound, research project, work in process, future development, scientific, engineering, manufacturing, marketing, business plan, financial or personnel matter relating to the disclosing Party, its present or future products, sales, suppliers, customers, employees, investors or business, whether in oral, written, graphic or electronic form, which is marked confidential or designated by the disclosing party as being confidential prior to disclosure or which is marked confidential and provided to the other Party within thirty (30) days of such oral disclosure.

1.3 "**Control**" means possession of the ability to grant a license or sublicense as provided for herein without violating the terms of any agreement or other arrangement with any third party.

1.4 "**Covered**", "**Cover**" or "**Covering**" means with respect to Patent Rights, that the making, using, importation, offer for sale, or sale, or the conducting of an activity, in the absence of a license under such Patent Rights would infringe at least one claim of such Patent Rights.

1.5 "**Developing Countries**" shall mean those countries as may be defined from time to time as low income or low middle income by the World Bank – see www.worldbank.org/data/countryclass/class groups.htm at the time of the case by case analysis under Section 2.4.

1.6 "**FDA**" means the United States Food and Drug Administration and any equivalent agency thereto.

1.7 "**Field**" means all fields of use.

1.8 "**First Commercial Sale**" means, with respect to any Product, the first sale of such Product by ANAPTYS, its Affiliates or Sublicenses to customers who are not Affiliates in any country after all applicable marketing and pricing approvals (if any) have been granted by the applicable governing health authority of such country.

1.9 "**First Commercial Service Activity**" means, with respect to any Licensed Method, the date first payment is received by ANAPTYS, its Affiliates or Sublicensees for completion of services provided to customers using Licensed Methods.

1.10 "**IND**" means an Investigational New Drug Application or equivalent application filed to commence human clinical testing of a Licensed Product with the FDA or its foreign equivalent.

1.11 "**Licensed Product(s)**" means a composition, product or device, the manufacture, use, sale, offer for sale or import of which, but for the License, would infringe any Patent Rights in any country were they issued at the time of such manufacture, use, sale, offer for sale or import in that country or a product that is identified and / or developed through the use of methods Covered by Licensed Methods.

1.12 "**Licensed Method(s)**" means any process, art or method the use or practice of which, but for the License, would infringe, induce to infringe or contribute to infringement of, any Patent Rights in any country were they issued at the time of the infringing activity in that country.

1.13 "**Materials**" means relevant cell lines and other materials relating to or necessary to enable ANAPTYS to use the Licensed Products and implement the Licensed Methods at their facilities as specified in Exhibit C attached hereto and to which MRC has the right to transfer.

1.14 "**MRC Specific Method[s]**" means [*].

1.15 "**NDA**" means a New Drug Application, Biological License Application, or Product License Application, as appropriate, filed pursuant to the requirements of the FDA or its foreign equivalent.

1.16 "**Net Sales**" means, with respect to any Licensed Product, [*]

[*]

"**Net Sales**" means, with respect to any Licensed Method, [*].

1.17 "**Parties**" means ANAPTYS and the MRC, each of which, individually, is a "Party."

1.18 "**Patent Rights**" means: (a) the patent applications listed in Exhibit A attached hereto, (b) any corresponding foreign patents and patent applications, (c) any provisionals, substitutions, divisionals, reissues, continuations, continuations-in-part (but only to the extent the claims thereof are enabled by disclosure of the parent application), and (d) any patents issuing from any of the foregoing patent applications.

1.19 "**Phase II Clinical Trial**" shall mean a human clinical trial in any country that is intended to initially evaluate the effectiveness of a product for a particular indication or indications in patients with the disease or indication under study, or that would otherwise satisfy requirements of 21 CFR 312.21(b), or its foreign equivalent.

1.20 "**Phase III Clinical Trial**" means that portion of the clinical development program which provides for the continued trials of a Licensed Product on sufficient numbers of patients to establish its safety and efficacy for the desired claims and indications, as more specifically defined by the rules of the FDA or its equivalent and corresponding rules and regulations in other countries and jurisdictions, and the results of which are intended to be used as the basis for the filing of an NDA or equivalent application to obtain approval to market Licensed Products. For the purposes of this Agreement, "initiation of Phase 3 Trial" for a

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Licensed Product means the first dosing of such Licensed Product in a human patient in a Phase 3 Trial.

1.21 "**Sublicensee**" means any third party licensed by licensee to make, or sell any Licensed Product or use any Licensed Methods in accordance with the terms of this Agreement.

1.22 "**Territory**" means all countries of the world where Patent Rights exist.

1.23 "**Third Party**" shall mean any person other than ANAPTYS and MRC and their respective Affiliates.

2. GRANT

2.1 **License.** MRC hereby grants ANAPTYS an exclusive, royalty-bearing license, including the right to grant sublicenses, under the Patent Rights to make, have made, use, sell, have sold, offer for sale and import Licensed Products and to practice Licensed Methods in the Territory (the "License").

2.2 **Technology Transfer.** Within fifteen (15) calendar days after the Effective Date, MRC will transfer sufficient quantities of relevant cell lines and other Materials listed on Exhibit C (attached hereto) relating to or necessary to enable Anaptys to use the Licensed Products and implement the Licensed Methods at their facilities.

2.3 **Retention of Rights.** MRC retains the right under the Patent Rights to use the Licensed Methods solely for academic research including with academic collaborators. Provided however, that the any such use is:

(a) not supported by a commercial entity or

(b) not in support of any commercial activity and

(c) MRC or its academic collaborators shall disclose to ANAPTYS' all protein products directly generated using the Licensed Methods. MRC, and where appropriate its academic collaborators (if any), and ANAPTYS shall jointly determine whether or not to commercialize each such identified protein product on a case-by-case basis. Notwithstanding such decision, ANAPTYS shall have the first right of refusal to negotiate an exclusive license to commercialize the identified protein products. ANAPTYS shall have one hundred and eighty (180) days after the disclosure of each identified protein product to ANAPTYS to exercise its option and to begin good faith negotiations. If ANAPTYS does not notify MRC, in writing, of its intention to enter into such discussions before such one hundred and eighty (180) day period has expired, MRC and/or its academic collaborators may proceed to commercialize the corresponding identified protein product. To avoid doubt, apart from any delay that may be reasonably required to obtain appropriate intellectual property protection with respect to the results arising from the research conducted under this Section 2.3, any decision to commercialize and/or license an identified protein product shall not prevent or delay the timely publication of such results by the MRC and/or their academic collaborators.

2.4 **Limited use of antibodies for HIV Project by Global HIV Vaccine Enterprise.** Notwithstanding the above, ANAPTYS hereby agrees that, in support of and pursuant to MRC's participation in the collaborative HIV project funded by the Bill and Melinda Gates Foundation, and subject to prior notification to ANAPTYS by the MRC, the MRC may grant certain and limited rights solely to the use of the Licensed Methods for future development of HIV antigen-based vaccines. Unless otherwise agreed to by the Parties, these rights will be strictly limited to the use of antibodies generated by MRC or other members of said HIV project consortium, to identify HIV epitopes which will then be used to develop and/or use, but not be incorporated into, as said HIV vaccines. For clarification, any rights granted hereunder or in any subsequent agreement contemplated below will not extend to any other use of the antibodies generated through this program, including but not limited to use as a vaccine or use as a therapeutic or prophylactic agent. ANAPTYS recognises that the Bill and Melinda Gates Foundation is providing said funding in furtherance of their charitable objective to ensure access to affordable health solutions resulting from said project for the benefit of people most in need within Developing Countries. Therefore, in recognition of such charitable objective, ANAPTYS agrees that the rights to such anti-HIV antibodies, solely for the limited purpose of identifying epitopes for HIV vaccines and as reasonably needed to use such epitope(s) as vaccine(s), will be granted free of consideration where such vaccines are for use in people most in need within Developing Countries. If necessary to ensure development of vaccines for such use in Developing Countries, with ANAPTYS' prior written consent on a case-by-case basis, such rights may be extended on royalty free or minimal royalty basis where it is necessary for such vaccines to be made in other than Developing Countries for eventual use in Developing Countries. To avoid doubt, ANAPTYS shall be free to set other terms and conditions in respect of such rights, provided such terms and conditions are consistent with achieving said charitable objective. Any request made to the MRC to use such HIV antibodies for the development and/or use of said HIV vaccines outside of said HIV Project shall be referred to ANAPTYS. To avoid doubt, the MRC shall not be involved in negotiations between ANAPTYS and any third party wishing to use such anti-HIV antibodies for any purpose related to, but outside of, the collaborative HIV project. Notwithstanding the above, no rights are extended or reserved for the use of any antibodies, as quid pro quo or otherwise, for any developer to make vaccines available without ANAPTYS' prior written approval on a case-by-case basis.

3. DEVELOPMENT EFFORTS

3.1 **Diligence.** ANAPTYS will work to identify, research and/or develop Licensed Methods and Licensed Products for purposes of commercializing such products and methods at least as diligently as ANAPTYS researches and/or develops its products and methods of similar probability of technical success, market / commercial potential and stages of development. Failure by the ANAPTYS to meets its diligence obligation above due to reasons beyond ANAPTYS' control, (including, without limitation, force majeure and/or lack of technical success of Licensed Products, or Licensed Methods if applicable) will not constitute lack of due diligence for purposes of this Agreement ("Commercially Reasonable Efforts").

3.2 **Reporting.** Within sixty (60) days following the first anniversary of the Effective Date, ANAPTYS will provide MRC with annual progress reports which will include a budget and a summary plan for the development of Licensed Products and/or Licensed Methods.

3.3 **Milestones.** ANAPTYS will obtain financing of at least $[*] by [*]. ANAPTYS will enter into at least [*] with another entity by [*].

4. PAYMENTS AND REPORTS

4.1 **License Issue Fee.** Within [*] days following the Effective Date, ANAPTYS will issue to MRC [*] shares of common ANAPTYS stock, and will pay to MRC $[*] as a one time License Issue Fee.

4.2 **License Maintenance Fee.** Following the [*] anniversary of the Effective Date and thereafter on the anniversary of the Effective Date and until the First Commercial Sale of Licensed Products, ANAPTYS will pay MRC an annual License Maintenance fee of $[*].

4.3 **Royalties.**

(a) ANAPTYS will pay MRC royalties as follows:

(i) **Licensed Methods**

[*]

(ii) **Licensed Products** for therapeutic or prophylactic uses in humans or animals

[*]

(iii) **Licensed Products** for non-therapeutic uses:

[*]

(b) All royalties payable under this Section 4.3 shall be subject to the following conditions:

(i) No multiple royalties shall be owed because the use or sale of any Licensed Product or Licensed Methods is covered by more than one valid and unexpired claim contained in the Patent Rights. For clarification, royalties shall only be owed either for a Licensed Product or Licensed Method and solely based upon one of the following sections: 4.3(a)(i) or 4.3(a)(ii) or 4.3(a)(iii) above.

(ii) If ANAPTYS, its affiliate or its Sublicensee is required to obtain a license or patent rights from one or more independent third parties in order to make, have made, use, have used, sell, have sold, offer for sale, import or have imported Licensed Products or Licensed Methods without infringement of such patents, and if the total royalty burden (including royalties payable to MRC) for such Licensed Products or Licensed Methods exceeds, [*], then the royalty rate applicable to Net Sales of such Licensed Product or Licensed Method by ANAPTYS, its affiliates and its Sublicensees payable to MRC shall be adjusted as follows:

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(1) For Licensed Products for therapeutic or prophylactic uses in humans or animals, the royalty rate applicable to Net Sales of such Licensed Product shall be adjusted to the rate determined by [*].

(2) For Licensed Products for non-therapeutic uses, the royalty rate applicable to Net Sales of such Licensed Product shall be adjusted to the rate determined by [*].

(3) For Licensed Methods, the royalty rate applicable to Net Sales of such Licensed Method for the first [*] years following the First Commercial Service Activity shall be adjusted to the rate determined by [*].

(4) For Licensed Methods, the royalty rate applicable to Net Sales of such Licensed Method after the end of the [*] year of First Commercial Service Activity as below shall be adjusted to the rate determined by [*];

provided that (i) in the case of any royalty due on services using Licensed Methods [*], and (ii) any royalty due on services using Licensed Methods, [*]. In no event, however, shall the royalty rate payable to MRC for any Licensed Product, or Licensed Method be reduced by greater than [*]% of the royalty rate otherwise due to the MRC under this provision.

(iii) In the case of any combination product, Net Sales for such Combination Product shall be calculated by multiplying actual Net Sales of such combination product by the fraction A/(A+B) where A is the invoice price of the Licensed Product if sold separately, and B is the total invoice price of the other active ingredient or ingredients in the combination product, if sold separately. If neither the Licensed Product nor the other active ingredient(s) are sold separately, the Parties shall determine Net Sales for such combination product by mutual agreement based on the relative contribution of the Licensed Product and each other active ingredient to the combination product.

(iv) In the event that any patent or claim thereof included within the Patent Rights is held invalid in a final decision by a court of competent jurisdiction and last resort and from which no appeal has or can be taken, or has been pending for more than [*] years without issuance, then all obligation to pay royalties based on that patent or claim or any claim patentably indistinct there from will cease as of the date of final decision or [*] year anniversary. ANAPTYS will not, however, be relieved from paying any royalties that accrued before such final decision or anniversary.

4.4 **Minimum Annual Royalties**

(a) On the [*] anniversary of the First Commercial Sale of Licensed Products, and annually thereafter, ANAPTYS shall pay $[*] to the MRC.

(b) All minimum annual royalty payments shall be creditable against future royalties due to MRC as follows: where actual royalty owed is less than $[*], then the difference ($[*] minus the actual amount owed) may be credited against any future royalty payments owed in excess of the minimum royalty in any one year for a period of [*] years. That is, such amount

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may not be credited against minimum royalty payments such that the minimum royalty payment of $[*] will be payable for any year actual royalties are less than $[*].

4.5 **Milestone Payments.** ANAPTYS will pay to MRC the following milestone payments on Licensed Products upon achievement of the milestones by the ANAPTYS, its affiliates, or their respective Sublicensees. Each of the milestone payments below shall be payable one time per Licensed Product that achieves any such milestone.

(a) $[*]

(b) $[*]

(c) $[*]

(d) $[*]

(e) $[*]

(f) $[*]

4.6 **Sublicense Fee.** ANAPTYS will initially pay to MRC a sub-licensing fee of $[*] upon execution of a sub-license to another party of the Patent Rights under this Agreement for any sub-license executed prior to [*]. Subsequent to [*] the sub-licensing fee payable upon execution of a sub-license to another party of the Patent Rights under this Agreement will be $[*].

5. PAYMENTS

5.1 Payment of the royalties and other payments specified in Section 4, will be made by ANAPTYS to the MRC within [*] days after [*] of each year during the term of this Agreement ("Payment Period") covering the quantity of Licensed Products sold by ANAPTYS, its Affiliates and/or Sublicensees, as appropriate, during the preceding Payment Period or Licensed Methods. After termination or expiration of this Agreement, a final payment will be made by ANAPTYS covering the whole or partial Payment Period. Each annual payment will be accompanied by a written statement of Net Sales of Licensed Products by ANAPTYS, its Affiliates and/or Sublicensees, as appropriate. Such written statements will be duly signed by an authorized officer of ANAPTYS on behalf of ANAPTYS and will show the Net Sales of Licensed Products by ANAPTYS, its Affiliates and/or Sublicensees, as appropriate, during such Payment Period and the amount of royalties payable under this Agreement based thereon.

5.2 Such amount shall be determined from the books and records of ANAPTYS, maintained in accordance with U.S. Generally Accepted Accounting Principles. ANAPTYS shall be entitled to deduct the amount of any withholding taxes, value-added taxes or other taxes, levies or charges with respect to such amounts, other than United States taxes, payable by ANAPTYS, or any taxes required to be withheld by ANAPTYS, to the extent ANAPTYS pays to the appropriate governmental authority on behalf of MRC such taxes, levies or charges. ANAPTYS shall use reasonable efforts to minimize any such taxes, levies or charges required to be withheld on behalf of MRC by ANAPTYS. ANAPTYS promptly shall deliver to MRC proof

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of payment of all such taxes, levies and other charges, together with copies of all communications from or with such governmental authority with respect thereto.

5.3 **Form of Payment.** All payments due hereunder are expressed in and will be paid by wire transfer or check payable in United States Dollars, without deduction of exchange, collection or other charges, to the MRC, or to the account of the MRC at such other bank as the MRC may from time to time designate by written notice to ANAPTYS.

5.4 **Exchange Rate.** With respect to each quarter, for countries other than the United States, whenever conversion of payments from any foreign currency is required, such conversion will be made at the rate of exchange reported in The Wall Street Journal on the last business day of the applicable calendar year.

5.5 **Records and Inspection.** ANAPTYS will maintain or cause to be maintained a true and correct set of records pertaining to the Net Sales of Licensed Products and Licensed Methods by ANAPTYS. During the term of this Agreement and for a period of [*] years thereafter, ANAPTYS agrees to permit an independent certified public accountant selected and paid by the MRC and reasonably accepted to ANAPTYS to have reasonable access during ordinary business hours to such records as are maintained by ANAPTYS as may be necessary, in the opinion of such accountant, to determine the correctness of any report and/or payment made under this Agreement. Such audits may be exercised no more than once in any [*] month period upon at least [*] days prior written notice to ANAPTYS. Should an audit show that payments are [*] percent ([*]%) or more below that reported then ANAPTYS shall reimburse MRC for reasonable direct costs of the audit reimbursed to the auditor.

6. PATENTS

6.1 **Prior Patent Costs.** ANAPTYS will reimburse MRC for all past patent costs (prior to the Effective Date); *provided, however,* that reimbursement for costs incurred prior to the Effective Date shall be payable in installments of $[*] a year, the first payment being due within [*] days of signing, and the subsequent payments being made on each anniversary of the Effective Date over the first [*] years of the license granted under this Agreement, with any outstanding balance paid on the [*] anniversary of the Effective Date. ANAPTYS will also pay all future patent costs incurred from and after the Effective Date for the prosecution and maintenance of the Patent Rights (to the extent such costs have not been previously reimbursed).

6.2 **Patent Prosecution.**

(a) Within a reasonably practical time following the Effective Date, but in no event not longer than sixty (60) days after such date ("Prosecution Transfer Period"), ANAPTYS shall at its own expense be solely responsible for maintaining and prosecuting the Patent Rights including for the avoidance of doubt all annuity and renewal fees and for the conduct of any claims or proceedings relating to the Patent Rights including any interference, opposition, infringement or revocation proceedings. ANAPTYS shall have sole responsibility for the appointment or otherwise of a patent agent and in deciding upon the scope and geographical extent to which any patent may be filed after written agreement from MRC. During the Prosecution Transfer Period, MRC will be solely responsible for (i) making all payments and

maintaining all prosecution such that there are no losses of Patent Rights, (ii) timely transfer all files related to the Patent Rights, and (iii) timely file all documents necessary to affect the transfer to ANAPTYS and enable ANAPTYS to assume its responsibilities under this Section 6.2. For avoidance of doubt, ANAPTYS will pay all costs incurred by MRC during the Prosecution Transfer Period for the prosecution and maintenance of the Patent Rights (to the extent such costs have not been previously reimbursed).

(b) Should ANAPTYS decide that it does not wish to prosecute, maintain or defend the Patent Rights or any part thereof it shall give MRC not less than sixty (60) days notice of that decision before any critical time period and thereafter MRC may in its sole discretion and at its own costs and expense prosecute, maintain or defend the Patent Rights or any part thereof. If MRC so decides to prosecute, maintain or defend the Patent Rights or any part thereof ANAPTYS shall promptly arrange for its patent attorneys to transfer to MRC all relevant papers, files and other documents.

(c) ANAPTYS agrees to keep MRC informed on major or key prosecution issues of the Patent Rights and arrange for MRC to be sent copies of any patent correspondence upon request of MRC. Any action relating to the prosecution of the continuing applications must be notified to MRC at least thirty (30) days (or the maximum possible if at least thirty 30 days notice are not available to ANAPTYS) prior to any submission to any patent office for MRC's review. In the event that MRC has a concern regarding the submission, the Parties will discuss to mutually resolve any potential conflict or material impact to the parent patent applications in the Patent Rights.

6.3 **Patent Enforcement.**

(a) Each of MRC and ANAPTYS shall as soon as practicable after it becomes aware thereof give to the other in writing reasonable particulars of any use or proposed use or threat of the same by another person in any country which in that Party's view amounts to or might amount to an infringement of the Patent Rights in such country. ANAPTYS shall at its own expense and with legal counsel of its own choice, bring suit (or take other appropriate legal action) against any actual, alleged or threatened infringement of the Patent Rights. MRC will cooperate with ANAPTYS and name ANAPTYS as a party if required for ANAPTYS to bring the suit. MRC shall cooperate fully with ANAPTYS and shall endeavor to cause the appropriate MRC scientists to cooperate with ANAPTYS at the request of ANAPTYS, including by giving testimony and producing documents lawfully requested in the prosecution of any suit by ANAPTYS for infringement of the MRC Patents; provided, that ANAPTYS shall pay all reasonable expenses (including attorneys' fees) incurred by MRC in connection with such cooperation.

(b) If ANAPTYS does not wish to undertake such action MRC shall have the right (but not the obligation) to undertake proceedings at its own expense and with legal counsel of its own choice. Any damages, monetary awards or other amount recovered, whether by judgment or settlement, pursuant to any suit, proceeding or other legal action taken under this section shall be to the account of the Party bringing and prosecuting the same.

7. CONFIDENTIALITY

7.1 **Treatment of Confidential Information.** During the term of this Agreement, and for a period of five (5) years after this Agreement expires or terminates, a Party receiving Confidential Information of the other Party will (i) maintain in confidence such Confidential Information to the same extent such receiving Party maintains its own proprietary information (but at a minimum each Party shall use reasonable efforts); (ii) not disclose such Confidential Information to any Third Party without prior written consent of the other Party; and (iii) not use such Confidential Information for any purpose except those permitted by this Agreement. A Party shall have no such obligation with respect to any portion of such Confidential Information which:

(a) is publicly disclosed by the disclosing Party, or is otherwise publicly disclosed without the fault of the receiving Party, either before or after it becomes known to the receiving Party; or

(b) was known to the receiving Party prior to when it was received from the disclosing Party, as evidence by contemporaneous written records; or

(c) is subsequently disclosed to the receiving Party in good faith by a Third Party who has a right to make such a disclosure; or

(d) has been published by a third party which had a right to do so; or

(e) has been independently developed by the receiving Party without the aid, application or use of Confidential Information from the disclosing Party; or

(f) is required by law to be disclosed, but then only to the limited extent of such legally required disclosure; provided, however, that the other Party shall be given prompt notice of any such legally required disclosure.

7.2 **Publicity.** Any publication, news release or other public announcement that discloses or refers to this Agreement or to the performance thereof, shall first be reviewed and approved by both Parties, which approval shall not be unreasonably withheld. Either Party shall be entitled to disclose the substance of this Agreement to its shareholders, potential investors, sublicensees, or research collaboration partners (and to prospective shareholders to whom its stock is offered for purchase) under a confidentiality agreement consistent with this Agreement. Each Party shall also be entitled to provide a copy of this Agreement to the Securities and Exchange Commission (if required).

7.3 **Terms of this Agreement.** Except as otherwise provided in Section 7.1 above, neither Party shall disclose any terms or conditions of this Agreement to any Third Party without the prior written consent of the other Party. Notwithstanding the foregoing, prior to execution of this Agreement, the Parties shall agree upon the substance of information that can be used to describe the terms of this transaction, and each Party may disclose such information, s modified by mutual agreement from time to time, without the other Party’s consent.

8. TERM AND TERMINATION

8.1 **Term.** Unless earlier terminated as hereinafter provided, this Agreement shall expire upon the later of (i) ten (10) years from the First Commercial Sale of a Licensed Product by ANAPTYS, or First Commercial Service Activity or (ii) the expiration of the last to expire patent within the Patent Rights.

8.2 **Termination.**

(a) ANAPTYS may terminate this Agreement for any reason following sixty (60) day written notice.

(b) A Party may terminate this Agreement upon or after the breach of any material provision of this Agreement by the other Party, if the breaching Party has not cured such breach within sixty (60) days after notice thereof from the other Party; provided, however, that if the breach is due to ANAPTYS' failure to pay under Section 4 or complete a milestone in Section 3.3, MRC shall provide an additional notice of failure to pay or meet milestone and allow ANAPTYS a second sixty (60) day period to cure such breach. If ANAPTYS fails to cure such breach during the second sixty (60) day period, MRC shall provide a third and final notice of failure to pay and allow ANAPTYS a third and final sixty (60) day period to cure such breach prior to any termination hereunder.

8.3 **Default for Bankruptcy.** Each Party will have the right, at its option, to terminate this Agreement in the event that the other Party (i) shall file in court or agency pursuant to any applicable state or federal petition in bankruptcy (other than dissolution or winding up for the purposes of reconstruction or amalgamation) or if such Party is served with an involuntary petition in bankruptcy, or (ii) makes an assignment of all or substantially all of its assets for the benefit of creditors, or (iii) in the event that a receiver or trustee is appointed for the other Party and such Party will, after the expiration of thirty (30) days following any of the events enumerated above, be unable to secure a dismissal, stay or other suspension of such proceedings.

8.4 In the event of termination of this Agreement, all Patent Rights licensed to ANAPTYS will revert to the MRC.

8.5 **Survival of Certain Sublicenses.** Sublicenses granted by a defaulting Party to a Third Party will survive termination of the defaulting Party's license under Section 8.1(b), provided however, that (i) such Third Party is not the cause of the default, (ii) such Third Party is not in breach of, and continues to fully perform all obligations under its sublicense agreement and any surviving provisions in this Agreement applicable to such sublicensee and (iii) the terminating Party continues to receive from such Third Party all royalty payments set forth in Section 4.3.

8.6 **Survival.** Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. No termination or expiration of this Agreement will constitute a termination or a waiver of any rights of either Party against the other Party accruing at or prior to the time of such termination. The obligations

and rights of the Parties under Sections 5.5, 7, 8.5, 13, and 15 shall survive termination or expiration of this Agreement.

9. INDEMNITY

9.1 ANAPTYS hereby agrees to indemnify and hold harmless the MRC and its directors, officers, researchers, scientists, employees and agents (collectively, the "MRC Indemnities") from and against any losses, claims, damages, costs, and expenses (collectively, "Losses") incurred in connection with or arising from (i) any product liability or similar claim asserted by any party as to any Licensed Products; (ii) any claims arising from ANAPTYS' or ANAPTYS' Sublicensee's use of any Licensed Methods; (iii) any claims for death, personal injury or related property damage arising from the manufacture, sale, marketing, distribution or use of any Licensed Products; but excluding Losses arising from or relating to the breach of this Agreement by the MRC or the gross negligence or willful misconduct of the MRC Indemnities. Without limiting the generality of the foregoing, such indemnity obligation shall apply to any product liability or other claims, including without limitation, personal injury, death or property damage, made by employees, subcontractors, or agents of ANAPTYS, as well as by any customer, patient, hospital, doctor, or member of the general public who buys or uses a Licensed Product.

10. REPRESENTATIONS AND WARRANTIES

10.1 **Due Authorization.** Each Party hereby represents and warrants that such Party is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder.

10.2 **Binding Obligation.** Each Party hereby represents and warrants that this Agreement is a legal and valid obligation binding upon it and is enforceable in accordance with its terms. The execution, delivery and performance of this Agreement by such Party does not conflict with any agreement, instrument, or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any law or regulation or any court, government body or administrative or other agency having authority over it.

10.3 **Consents.** Each Party hereby represents 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.

10.4 **No Conflict.** Each Party hereby represents 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 laws or regulations and (b) do not conflict with, or constitute a default under, any contractual obligation of such Party.

10.5 **Disclosure.** MRC represents that it has provided ANAPTYS with all documents and information under its custody or control regarding the Patent Rights necessary for ANAPTYS to determine the scope, ownership, validity and enforcement of the Patent Rights. MRC further represents that the Patent Rights include all rights owned or controlled by MRC that are necessary for ANAPTYS to commercialize Licensed Products and Licensed Methods.

11. DISCLAIMER OF WARRANTIES

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE MRC MAKES NO WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY, REGARDING OR WITH RESPECT TO THE LICENSED METHODS OR LICENSED PRODUCTS.

12. LIMITATION OF LIABILITY

NEITHER PARTY WILL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER.

13. ASSIGNABILITY

13.1 Except as provided in Section 13.2 below, ANAPTYS may assign this Agreement to another entity only with the prior written consent of the MRC, which consent shall not be unreasonably withheld or delayed.

13.2 Notwithstanding anything herein to the contrary, in the event ANAPTYS merges with another entity or is acquired by another entity, ANAPTYS may assign its rights and obligations hereunder to the surviving entity without the MRC's consent so long as ANAPTYS is not then in material breach of this Agreement and ANAPTYS provides written notice of the assignment to the MRC, at least fifteen (15) days prior to the effective date of the assignment.

14. GOVERNMENTAL COMPLIANCE

14.1 **Compliance with Laws.** ANAPTYS will at all times during the term of this Agreement and for so long as it sells imports, exports, manufactures, uses, distributes, markets or otherwise commercially exploits Licensed Products comply with all laws that control the import, export, manufacture, use, sale, marketing, distribution and other commercial exploitation of Licensed Products or any other activity undertaken pursuant to this Agreement.

14.2 **Governmental Approval or Registration.** If this Agreement or any associated transaction is required by the law of any nation to be either approved or registered with any governmental agency, ANAPTYS shall assume all legal obligations to do so. ANAPTYS shall notify the MRC if it becomes aware that this Agreement is subject to a United States of America or other government reporting or approval requirement. ANAPTYS shall make all necessary filings and pay all costs including fees, penalties, and all other out-of-pocket costs associated with such reporting or approval process.

15. GOVERNING LAW

15.1 **Law.** This Agreement will be governed by, and will be construed and enforced in accordance with, the laws of England.

15.2 **Jurisdiction.** This Agreement is performable in part in San Diego County, California, and the Parties mutually agree that personal jurisdiction and venue will be proper in the state and federal courts situated in San Diego County, California, and hereby consent to such exclusive jurisdiction and venue.

16. NOTICES

Any payment, notice or other communication pursuant to this Agreement will be mailed by first class, certified or registered mail, postage prepaid, or delivered by overnight delivery service addressed as follows or to such other address designated by written notice given to the other Party:

In the case of the MRC:

Graham Wagner
Associate Director, Licensing and Agreements
Medical Research Council Technology
20 Park Crescent
London, W1B 1AL
United Kingdom

In the case of ANAPTYS:

William James Boyle
President and Chief Science Officer
ANAPTYS Biosciences, Inc.
10931 North Torrey Pines Road
La Jolla, CA 92037

Any such payment, notice or other communication will be effective upon receipt.

17. GENERAL PROVISIONS

17.1 **Independent Contractors.** The Parties hereby acknowledge and agree that each is an independent contractor and that neither Party will be considered to be the agent, representative, master or servant of the other Party for any purpose whatsoever, and that neither Party has any authority to enter into a contract, to assume any obligation or to give warranties or representations on behalf of the other Party without the prior written consent of the other Party. Nothing in this relationship will be construed to create a joint venture, agency, partnership, fiduciary or other similar relationship between the Parties.

17.2 **Non-Waiver.** The Parties covenant and agree that if a Party fails or neglects for any reason to take advantage of any of the terms provided for the termination of this Agreement

or if a Party, having the right to declare this Agreement terminated, will fail to do so, any such failure or neglect by such Party will not be a waiver or be deemed or be construed to be a waiver of any cause for the termination of this Agreement subsequently arising, or as a waiver of any of the terms, covenants or conditions of this Agreement or of the performance thereof. None of the terms, covenants and conditions of this Agreement may be waived by a Party except by its written consent.

17.3 **Reformation.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability will not invalidate or render unenforceable such provision in any other jurisdiction. Should any provision of this Agreement be so held to be unenforceable, such provision, if permitted by law, will be considered to have been superseded by a legally permissible and enforceable clause which corresponds most closely to the intent of the Parties as evidenced by the provision held to be unenforceable.

17.4 **Force Majeure.** Except for the payment of any amounts due under this Agreement, no liability hereunder will result to a Party by reason of delay in performance caused by force majeure, that is circumstances beyond the reasonable control of the Party, including, without limitation, acts of God, fire, flood, war, civil unrest, labor unrest, or shortage of or inability to obtain material as equipment.

17.5 **Entire Agreement.** The terms and conditions herein constitute the entire agreement between the Parties and will supersede all previous agreements, either oral or written, between the Parties hereto with respect to the subject matter hereof. No agreement or understanding bearing on this Agreement will be binding upon either Party hereto unless it is in writing and signed by the duly authorized officer or representative of each of the Parties and it expressly refers to this Agreement.

17.6 **Headings.** The headings for each 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 Section.

17.7 **Counterparts.** This Agreement may be signed in two (2) or more counterparts, each of which will be deemed an original, but all of which together will constitute one (1) and the same instrument. Signatures may be transmitted by facsimile, thereby constituting the valid signature and delivery of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Parties hereto have executed and delivered this Agreement by their duly authorized officers and representatives effective as of the Effective Date.

MEDICAL RESEARCH COUNCIL		**ANAPTYS BIOSCIENCES, INC.**	
By:	/s/ Graham L Wagner	By:	/s/ Bill Boyle
Name:	Graham L Wagner	Name:	Bill Boyle
Title:	Associate Director Licensing and Agreements Medical Research Council Technology	Title:	President
Date:	4th September 2006	Date:	23-Aug-2006

[SIGNATURE PAGE MRC / ANAPTYS LICENSE AGREEMENT]

Exhibit A

	Patent Rights
[*]	[*]

***Confidential Treatment Requested.**

EXHIBIT B

Competing Technology

[*]

***Confidential Treatment Requested.**

EXHIBIT C

Technology Transfer Materials

[*]

***Confidential Treatment Requested.**

FIRST AMENDMENT TO LICENSE AGREEMENT

THIS FIRST AMENDMENT TO LICENSE AGREEMENT (the "***Amendment***") is entered into and effective as of March 31, 2008 (the "***Amendment Date***") for the purpose of amending that certain License Agreement dated August 30, 2006 (the "***Agreement***") by and between the **MEDICAL RESEARCH COUNCIL**, a UK government funded non-departmental body with principal offices at 20 Park Crescent, London, W1B 1AL, United Kingdom (the "***MRC***"); and **ANAPTYS BIOSCIENCES, INC.**, a Delaware corporation having a principal place of business at 10931 North Torrey Pines Road, Suite 101, La Jolla, California 92037, United States of America ("***Anaptys***"). Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Agreement.

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the MRC and Anaptys agree as follows:

1. New Defined Terms. The following terms shall have the respective meanings set forth below for purposes of this Amendment:

(a) "***Antibody Services***" shall mean [*].

(b) "***Modified Third Party Antibody***" shall mean [*].

(c) "***Third Party Antibody***" shall mean [*].

(d) "***Anaptys-Controlled Antibody***" shall mean [*].

2. Amendment of "Licensed Product(s)" Definition. Section 1.11 of the Agreement is hereby amended and restated to read in its entirety as follows:

"1.11 "**Licensed Product(s)**" means a composition, product or device (i) the manufacture, use, sale, offer for sale or import of which, but for the License, would infringe any Patent Rights in any country were they issued at the time of such manufacture, use, sale, offer for sale or import in that country or (ii) which is an antibody initially discovered using Licensed Methods (whether Anaptys or a third party controls such antibody) or (iii) is an Anaptys-Controlled Antibody resulting from Licensed Method-based affinity maturation of antibodies initially discovered without using Licensed Methods."

3. Amendment of "Net Sales" Definition. Section 1.16 of the Agreement is hereby amended and restated to read in its entirety as follows:

"1.16 "**Net Sales**" means, [*]

[*]

4. Amendment of "Sublicensee" Definition. Section 1.21 of the Agreement is hereby amended and restated to read in its entirety as follows:

"1.21 "**Sublicensee**" means any Third Party to which Anaptys grants a sublicense under the Patent Rights to make or sell any Licensed Product in the Territory or use Licensed Methods in the Territory in accordance with the terms of this Agreement."

5. Amendment of Section 3.2. Section 3.2 is hereby amended and restated to read in its entirety as follows:

"3.2 **Reporting**. Within sixty (60) days following the first anniversary of the Effective Date and each subsequent anniversary thereof during the term of this Agreement, Anaptys will provide MRC with annual progress reports which will include a summary budget and a summary plan for the development of Licensed Products and/or Licensed Methods; *provided*, *however*, that, in lieu of the summary budget specified in this clause, Anaptys may provide to MRC a written certification by an Anaptys officer that Anaptys' budget for the twelve (12) months after such anniversary allocates at least $[*] to the development and/or commercialization of Licensed Products and/or Licensed Methods."

6. Elimination of Section 4.2. Section 4.2 of the Agreement is hereby deleted in its entirety and shall be of no further force or effect.

7. Amendment of Section 4.3(a). Paragraph (a) of Section 4.3 is hereby amended and restated to read in its entirety as follows:

"(a) Anaptys will pay MRC royalties as follows:

(i) **Licensed Products – Therapeutic, *In Vivo* Diagnostic or Prophylactic Uses**. For Licensed Products for therapeutic, prophylactic and/or in vivo diagnostic uses in humans or animals, Anaptys will pay MRC:

(1) [*] of that portion of annual Net Sales of Licensed Products up to $[*];

(2) [*] of that portion of annual Net Sales of Licensed Products from over $[*]; and

(3) [*] of that portion of annual Net Sales of Licensed Products over $[*].

(ii) **Licensed Products – Other Uses**. For Licensed Products for non-therapeutic, non-prophylactic and non-in vivo diagnostic uses: [*] of worldwide annual Net Sales of such Licensed Products for non-therapeutic, non-prophylactic and non-in vivo diagnostic uses.

(iii) **Modified Third Party Antibodies; Antibody Services**. Notwithstanding the preceding provisions of this Section 4.3(a) or any other provision of this Agreement to the contrary, the only amounts payable to MRC with respect to Modified Third Party Antibodies and/or Antibody Services are those set forth in this Section 4.3(a)(iv). Beginning

on the second anniversary of the Effective Date and on each anniversary thereof during the term of this Agreement, Anaptys shall pay to the MRC a flat annual fee of $[*] (each, an "Annual Fee"), which shall be payable regardless of whether Anaptys actually (A) performs any Antibody Services during the applicable year and/or (B) receives any consideration with respect to any Modified Third Party Antibody or Antibody Services during such year.

For the avoidance of doubt, no royalties or consideration other than the Annual Fee shall be payable to the MRC with respect to Antibody Services, or with respect to any Modified Third Party Antibody."

8. Amendment of Section 4.3(b). The second sentence of subparagraph (i) of paragraph (b) of Section 4.3 is hereby deleted.

9. Amendment of Section 4.5. Section 4.5 of the Agreement is hereby amended and restated to read in its entirety as follows:

"4.5 **Milestone Payments**. Anaptys will pay to MRC the following non-refundable milestone payments on Licensed Products on achievement of the milestones by Anaptys, its Affiliates or their respective Sublicensees. Each of the milestone payments below shall be payable one time per Licensed Product that achieves any such milestone.

(a) $[*];

(b) $[*];

(c) $[*];

(d) $[*]; and

(e) $[*]."

10. Amendment of Section 4.6. Section 4.6 of the Agreement is hereby amended and restated to read in its entirety as follows:

"4.6 **Sublicense Fee**. Anaptys will pay to MRC a sublicense fee of $[*] for each sublicense it grants to a Sublicensee under the Patent Rights to make or sell Licensed Products for therapeutic, prophylactic and/or in vivo diagnostic uses in humans or animals. For purposes of clarification, the foregoing sublicense fee shall be payable on a Sublicensee-by-Sublicensee basis and shall be due within thirty (30) days after the grant of a sublicense to the applicable Sublicensee."

11. Amendment of Section 5.1. The first sentence of Section 5.1 is hereby amended and restated to read in its entirety as follows:

"Payment of royalties under the applicable provisions of Section 4.3(a) will be made by Anaptys to the MRC on an annual basis within ninety (90) days after the end of the

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twelve-month period ending December 31 (each, a "Payment Period") covering the quantity of Licensed Products and Licensed Methods sold by Anaptys, its Affiliates and/or Sublicensees, as appropriate, during the applicable Payment Period. Payment of any other amount due under Section 4 will be made by Anaptys to the MRC within forty-five (45) days after such amount becomes due."

12. Amendment of Section 6.3(a). The second sentence of paragraph (a) of Section 6.3 of the Agreement is hereby amended and restated to read in its entirety as follows:

"Anaptys shall have the first right (but not the obligation) to bring suit (or take other appropriate legal action) against any actual, alleged or threatened infringement of the Patent Rights, at its own expense and with legal counsel of its own choice."

13. Amendment of Section 7.1. Paragraphs (b) through (f) of Section 7.1 of the Agreement are hereby deleted and replaced in their entirety with the following:

"(b) was known to the receiving Party (other than under an obligation of confidentiality) prior to when it was received from the disclosing Party, as evidenced by contemporaneous written records; or

(c) is subsequently disclosed to the receiving Party on a non-confidential basis in good faith by a Third Party who has a right to make such a disclosure; or

(d) has been published by a Third Party which had a right to do so; or

(e) has been independently developed by the receiving Party without the aid, application or use of Confidential Information from the disclosing Party.

In addition, and notwithstanding the preceding provisions of this Section 7.1, the receiving Party may, without breaching its obligations hereunder, disclose such Confidential Information as is required by law to be disclosed, but then only to the limited extent of such legally required disclosure; provided, however, that the receiving Party shall give prompt written notice to the disclosing Party of such legally required disclosure and, at the disclosing Party's request and expense, shall cooperate, as far as it is reasonably able to do so, with the disclosing Party's lawful efforts to contest such required disclosure or to obtain a protective order or other confidential treatment of the information required to be disclosed."

14. Amendment of Section 7.2. A new sentence is hereby added to the end of Section 7.2, reading in its entirety as follows:

"In addition, and notwithstanding the preceding provisions of this Section 7.2, each Party shall be free to disclose via any medium, without the other Party's prior written consent, the existence of this Agreement, the identity of the other Party, and those terms of, or other matters relating to, this Agreement which have already been publicly disclosed with the other Party's approval."

15. Amendment of Section 8.1. Section 8.1 of the Agreement is hereby amended and restated to read in its entirety as follows:

"8.1 **Term**. Royalties under Section 4.3 of the Agreement shall be payable on a Licensed Product-by-Licensed Product or Licensed Method-by-Licensed Method and country-by-country basis in the Territory until the later of [*]. Unless earlier terminated as hereinafter provided, this Agreement shall expire upon [*]."

16. Amendment of Section 8.5. Section 8.5 of the Agreement is hereby amended and restated to read in its entirety as follows:

"8.5 **Survival of Certain Sublicenses**. Sublicenses granted by Anaptys to a Third Party will survive termination of Anaptys' license as a result of termination of this Agreement by the MRC for breach by Anaptys pursuant to Section 8.2(b); *provided*, however, that (i) such Third Party is not the cause of such breach, (ii) such Third Party agrees in writing to assume all applicable obligations of Anaptys under this Agreement, and (iii) the MRC continues to receive from such Third Party all payments under Section 4.3 that MRC would have received from Anaptys with respect to such Third Party's activities had this Agreement remained in effect."

17. Amendment of Section 13.2. Section 13.2 of the Agreement is hereby amended and restated to read in its entirety as follows:

"13.2 Notwithstanding anything herein to the contrary, Anaptys may assign this Agreement and its rights and obligations hereunder without the MRC's consent in connection with the transfer or sale of all or substantially all of Anaptys' business to which this Agreement relates to a Third Party, whether by merger, sale of stock, sale of assets or otherwise, so long as Anaptys is not in material breach of this Agreement and Anaptys provides prompt written notice of the assignment to the MRC."

18. Entire Agreement. The Agreement, as amended by this Amendment, embodies the entire understanding of the Parties and shall supersede all previous communications, representations and understandings, whether oral, written or otherwise, between the Parties relating to the subject matter hereof. Except as specifically amended by this Amendment, the terms and conditions of the Agreement shall remain in full force and effect.

19. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument.

***Confidential Treatment Requested.**

IN WITNESS WHEREOF, the Parties hereto have duly executed this Amendment as of the Amendment Date.

MEDICAL RESEARCH COUNCIL

By: /s/ Graham L Wagner
Name: Graham L Wagner
Title: Associate Director Licensing and Agreements
Medical Research Council Technology

ANAPTYS BIOSCIENCES, INC.

By: /s/ Tom Smart
Name: Tom Smart
Title: Chairman and CEO

SECOND AMENDMENT TO LICENSE AGREEMENT

THIS SECOND AMENDMENT TO LICENSE AGREEMENT (the "***Amendment***") is entered into and effective as of October 27, 2009 (the "***Amendment Date***") for the purpose of amending that certain License Agreement dated August 30, 2006, as amended by that certain First Amendment to License Agreement dated March 31, 2009 (collectively, the "***Agreement***"), by and between the **MEDICAL RESEARCH COUNCIL**, a UK government funded non-departmental body with principal offices at 20 Park Crescent, London, W1B 1AL, United Kingdom (the "***MRC***"); and **ANAPTYSBIO, INC.** (formerly known as Anaptys Biosciences, Inc.), a Delaware corporation having a principal place of business at 10835 Road to the Cure, Suite 100, San Diego, California 92121, United States of America ("***AnaptysBio***"). Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Agreement.

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the MRC and AnaptysBio agree as follows:

1. Patent Rights. Exhibit A to the Agreement is hereby amended and restated to read in its entirety as set forth in Appendix 1 attached to this Amendment.

2. Addition of New Section 2.5. A new Section 2.5 is hereby added to the Agreement:

> **"2.5 Limited Use of Specified Patent Rights**. Notwithstanding the above, the license to use Patent No. [*] set forth on Exhibit A (the "Specified Patent Rights") shall not include [*]."

3. Fee. Within thirty (30) days following the Amendment Date, AnaptysBio shall pay MRC a one-time fee of $[*]. For purposes of clarification, this fee is in addition to the amounts payable by AnaptysBio to MRC pursuant to the Agreement.

4. Materials. MRC agrees to provide AnaptysBio materials, as listed on Appendix 2 attached hereto, promptly following the Amendment Date, which shall be included under the definition of Materials.

5. Entire Agreement. The Agreement, as amended by this Amendment, embodies the entire understanding of the Parties and shall supersede all previous communications, representations and understandings, whether oral, written or otherwise, between the Parties relating to the subject matter hereof. Except as specifically amended by this Amendment, the terms and conditions of the Agreement shall remain in full force and effect.

6. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument.

***Confidential Treatment Requested.**

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their duly authorized representatives or officers as of the Amendment Date.

MEDICAL RESEARCH COUNCIL

By: /s/ Graham L Wagner
Name: Graham L Wagner
Title: Associate Director Licensing and Agreements
Medical Research Council Technology

ANAPTYSBIO, INC.

By: /s/ Tom Smart
Name: Tom Smart
Title: Chairman and CEO

Appendix 1

AMENDMENT AND RESTATEMENT OF EXHIBIT A TO LICENSE AGREEMENT

Patent Rights

[*] [*]

***Confidential Treatment Requested.**

Appendix 2

MATERIALS

[*]

***Confidential Treatment Requested.**

THIRD AMENDMENT TO LICENSE AGREEMENT

THIS THIRD AMENDMENT TO LICENSE AGREEMENT (the "***Amendment***") is entered into and effective as of October 7th, 2010 (the "***Amendment Date***") for the purpose of amending that certain Lease Agreement dated August 30, 2006, as amended by that certain First Amendment to License Agreement dated March 31, 2008, and that certain Second Amendment to License Agreement dated October 27, 2009 (collectively, the "***Agreement***"), by and between the **MEDICAL RESEARCH COUNCIL**, a UK government funded non-departmental body with principal offices at 20 Park Crescent, London, W1B 1AL, United Kingdom (the "***MRC***"); and **ANAPTYSBIO, INC.** (formerly known as Anaptys Biosciences, Inc.), a Delaware corporation having a principal place of business at 10835 Road to the Cure, Suite 100, San Diego, California 92121, United States of America ("***AnaptysBio***"). Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Agreement.

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the MRC and AnaptysBio agree as follows:

1. Amendment of "Antibody Services" Definition. The definition of "Antibody services" is hereby amended and restated to read in its entirety as follows:

"**Antibody Services**" shall mean any use of Licensed Methods in the Territory to perform services on behalf of a Third Party with respect to a Third Party Molecule, including, but not limited to, services directed to discovery, generation, affinity maturation, or modification of such Third Party Molecule.

2. Amendment of "Licensed Method(s)" Definition. The definition of "Licensed Method(s)" is hereby amended and restated to read in its entirety as follows:

"**Licensed Method(s)**" shall mean any process, art or method the use or practice of which is within the scope of the Patent Rights.

3. Amendment of "Licensed Product(s)" Definition. The definition of "Licensed Product(s)" is hereby amended and restated to read in its entirety as follows:

"**Licensed Product(s)**" shall mean a composition, product or device that is within the scope of the Patent Rights.

4. Amendment of "Modified Third Party Antibody" Definition. The definition of "Modified Third Party Antibody" is hereby amended and restated to read in its entirety as follows:

"**Modified Third Party Antibody**" shall mean an antibody, or other protein or nucleic acid, resulting from use of Licensed methods as applied to a Third Party Molecule through the performance of Antibody Services.

5. Replacement of "Third Party Antibody" Definition. The definition of "Third Party Antibody" is hereby eliminated, and all references to such term in the Agreement shall be deemed to refer to the term "Third Party Molecule" as defined below:

"**Third Party Molecule**" shall mean an antibody, or other protein or nucleic acid, that: (i) is not an Anaptys-Controlled Antibody (defined below); and (ii) is either (A) provided by a Third Party to Anaptys for the purpose of having Anaptys provide research and development services with respect to such molecule on a fee-for-service basis, or (B) discovered or generated by Anaptys on behalf of a Third Party on a fee-for-service basis (which, in each case, may include compensation post-provision of the service); in each case, without granting the Third Party a sublicense under the Patent Right to practice Licensed Methods.

6. Amendment of Section 4.3(a)(i). Section 4.3(a)(i) shall be amended and restated to read in its entirety as follows:

"(i) **Licensed Products – All Uses**. Royalties will be payable with respect to a Licensed Product sold by Anaptys, its Affiliates and its Sublicensees if such Licensed Product is Covered by Patent Rights at the time of such sale in the country where such Licensed Product is sold, and such royalties shall be payable on a Licensed Product-by-Licensed Product and country-by-country basis from the First Commercial Sale of a Licensed Product in a country until expiration of the last-to-expire Patent Rights Covering such Licensed Product in such country, subject to earlier termination in accordance with Section 4.3(b)(iv). Subject to the foregoing, Anaptys will pay MRC royalties on worldwide annual Net Sales of a Licensed Product for any and all uses, on a Licensed Product-by-Licensed Product basis, as follows:

(A) [*] of that portion of worldwide annual Net Sales of such Licensed Product from $[*]; and

(B) [*] of that portion of worldwide annual Net Sales of such Licensed product over $[*]"

7. Deletion of Section 4.3(a)(ii). Section 4.3(a)(ii) is hereby deleted in its entirety from the Agreement and of no further force or effect.

8. Amendment of Section 4.3(a)(iii). Section 4.3(a)(iii) is hereby amended and restated to read in its entirety as follows:

"(iii) **Modified Third Party Antibodies; Antibody Services**. Notwithstanding the preceding provisions of this Section 4.3(a) or any other provision of this Agreement to the contrary, the only amounts payable to MRC with respect to Modified Third Party Antibodies and/or Antibody Services are those set forth in this Section 4.3(a)(iii). Anaptys shall pay to MRC a flat annual fee of $[*] upon each of the [*] and [*] anniversaries of the Effective Date, and a flat annual fee of $[*] upon the [*] and each subsequent anniversary of the Effective Date (each an "Annual Fee"), [*].

For the avoidance of doubt, no royalties or consideration other than the Annual Fee shall be payable to the MRC with respect to Antibody Service, or with respect to any Modified

Third Party Antibody."

9. Amendment of Section 4.3(b)(ii). Section 4.3(b)(ii) shall be amended and restated to read in its entirety as follows:

"(ii) If ANAPTYS, its affiliate or its Sublicensee is required to obtain a license of patent rights from one or more independent third parties in order to make, have made, use, have used, sell, have sold, offer for sale, import or have imported a Licensed Product without infringement of such patents, and if the total royalty burden (including royalties payable to MRC) for such Licensed Product exceeds, [*], then the royalty rate applicable to Net Sales of such Licensed Product by ANAPTYS, its Affiliates and its Sublicensees payable to MRC shall be adjusted as follows]:

(1) For Licensed Products for therapeutic or prophylactic uses in humans or animals, the royalty rate applicable to Net Sales of such Licensed Product shall be adjusted to the rate determined by [*]

(2) For Licensed Products for non-therapeutic uses, the royalty rate applicable to Net Sales of such Licensed Product shall be adjusted to the rate determined by [*].

In no event, however, shall the royalty rate payable to MRC for any Licensed Product be reduced by greater than [*]% of the royalty rate otherwise due to the MRC under Section 4.3(a)(i)."

10. Amendment of Section 4.5. Section 4.5 of the Agreement is hereby amended and restated to read in its entirety as follows:

"4.5 Milestone Payments. Anaptys will pay to MRC the following non-refundable milestone payments on each Licensed Product upon the first achievement of each of the milestones set forth below (whether achieved by Anaptys, its Affiliate, or a Sublicensee), provided that such Licensed Product is Covered by Patent Rights in the country where the applicable milestone is achieved at the time of such achievement. Each of the milestone payments below shall be payable one time per Licensed Product that achieves any such milestone and only for the first achievement of such milestone by such Licensed Product.

(i) $[*];

(ii) $[*];

(iii) $[*];

(iv) $[*]; and

(v) $[*]."

11. Amendment of Section 8.1. Section 8.1 of the Agreement is hereby amended and restated to read in its entirety as follows:

"8.1 Term. Unless earlier terminated as hereinafter provided, this Agreement shall expire upon the expiration of all royalty payment obligations under Section 4.3 hereof."

12. Additional Consideration. Within sixty (60) days after the Amendment Date, AnaptsBio shall:

(a) pay to MRC the sum of [*] dollars ($[*]); and

(b) subject to MRC's execution and delivery to AnaptsBio of a stock issuance agreement in the form attached to this Amendment as **Annex I**, issue to MRC [*] shares of the common stock of AnaptysBio.

13. Entire Agreement. The Agreement, as amended by this Amendment, embodies the entire understanding of the Parties and shall supersede all previous communications, representations and understandings, whether oral, written or otherwise, between the Parties relating to the subject matter hereof. Except as specifically amended by this Amendment, the terms and conditions of the Agreement shall remain in full force and effect.

14. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their duly authorized representatives or officers as of the Amendment Date.

MEDICAL RESEARCH COUNCIL

By: /s/ Graham L Wagner
Name: Graham L Wagner
Title: Associate Director Licensing and Agreements
Medical Research Council Technology

ANAPTYSBIO, INC.

By: /s/ Tom Smart
Name: Tom Smart
Title: Chairman and CEO

***Confidential Treatment Requested.**

EXHIBIT 10.13

[*] Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

NON-EXCLUSIVE RESEARCH AND COMMERCIAL LICENSE AGREEMENT

This Non-Exclusive Research and Commercial License Agreement (this "AGREEMENT") is made by and between AnaptysBio, Inc. ("ANAPTYSBIO"), a Delaware corporation, with a principal business address at 10835 Road To The Cure, Suite 100, San Diego, CA 92121, and MILLIPORE CORPORATION ("MILLIPORE"), a Massachusetts corporation with offices at 290 Concord Road, Billerica, MA 91821, and is effective as of May 15, 2009 (the "EFFECTIVE DATE"). MILLIPORE and ANAPTYSBIO are sometimes each referred to herein individually as a "PARTY" and together as the "PARTIES".

ARTICLE 1. BACKGROUND RECITALS

MILLIPORE owns intellectual property covering or claiming the use of proprietary ubiquitous chromatin opening elements (UCOE® elements) and related gene expression technologies and is the owner of the MATERIALS.

ANAPTYSBIO desires to use the MATERIALS and the MILLIPORE INTELLECTUAL PROPERTY to enable ANAPTYSBIO to perform research, develop and/or commercialize recombinant therapeutic proteins. MILLIPORE is willing to grant ANAPTYSBIO a license to enable such uses under the terms and conditions defined herein.

ARTICLE 2. DEFINITIONS

For purposes of this AGREEMENT, the following definitions shall apply:

"AFFILIATE" means with respect to a referenced entity, any entity that CONTROLS, is CONTROLLED by, or is under common CONTROL with such referenced entity.

"ANAPTYSBIO CELL LINES" means cells (and any replicates, progeny or derivatives thereof) owned or controlled by ANAPTYSBIO transfected with MATERIALS and/or various control vectors. For clarity, ANAPTYSBIO CELL LINES includes pools of transfected cells as well as individual clones and cell lines.

"ANAPTYSBIO PROTEINS" means any proteins expressed by any cells (including ANAPTYSBIO CELL LINES) that are derived using or improved by ANAPTYSBIO TECHNOLOGY, whether by ANAPTYSBIO or its AFFILIATE or a THIRD PARTY on behalf of ANAPTYSBIO (i.e. service provider), and/or are related to one or more product development programs of ANAPTYSBIO. This definition expressly excludes any proteins made with use of

the MATERIALS to generate new cell or cell lines solely for the benefit of any THIRD PARTY.

“ANAPTYSBIO TECHNOLOGY” means any and all data, technology, information, documents, know-how and other intellectual or other property now or hereafter owned or controlled by ANAPTYSBIO, including, without limitation, ANAPTYSBIO’s proprietary somatic hypermutation technology and any genes, CHO cells, cell lines (including any ANAPTYSBIO CELL LINES), expressed proteins and antibodies, in each case including all improvements or modifications to any of the foregoing.

“COMMERCIAL MILESTONES” means the specific milestones listed in Clause 4.4 below.

“COMMERCIAL PURPOSES” means use of the MILLIPORE INTELLECTUAL PROPERTY and/or MATERIALS in one or more steps in the expression, scale-up or production, or any related steps in the preclinical and/or clinical development, of a COMMERCIALIZED PRODUCT where such a COMMERCIALIZED PRODUCT requires the submission of an investigational new drug application or equivalent filing with a United States or foreign REGULATORY AUTHORITY. For purposes of clarity, COMMERCIAL PURPOSES excludes CONTRACT MANUFACTURING.

“COMMERCIALIZED PRODUCT” means a pharmaceutical product, whether or not actually commercialized, made by or on behalf of ANAPTYSBIO incorporating ANAPTYSBIO PROTEINS expressed using the MATERIALS and/or MILLIPORE INTELLECTUAL PROPERTY.

“CONTRACT MANUFACTURING” means MANUFACTURING on a contract or fee-for- service basis by ANAPTYSBIO for a THIRD PARTY other than: (i) SUBLICENSEES of ANAPTYSBIO, (ii) entities who have entered into a collaboration, co-development, partnership, cooperation, strategic alliance, or similar agreement with ANAPTYSBIO relating to ANAPTYSBIO TECHNOLOGY and/or ANAPTYSBIO PROTEINS (collectively “ANAPTYSBIO PARTNERS”), and/or (iii) otherwise in connection with the research, development, manufacture and/or commercialization of an ANAPTYSBIO PROTEIN.

“CONTRACT RESEARCH” means research and/or development on a contract or fee-for-service basis by ANAPTYSBIO for a THIRD PARTY other than: (i) for SUBLICENSEES of ANAPTYSBIO, (ii) for ANAPTYSBIO PARTNERS, and/or (iii) otherwise in connection with the research, development, manufacture and/or commercialization of an ANAPTYSBIO PROTEIN.

“CONTROL” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract, or otherwise.

“CONFIDENTIAL INFORMATION” means: (i) in the case of ANAPTYSBIO, the terms of this AGREEMENT, any commercial, technical or other data, documents, materials, procedures and information of ANAPTYSBIO that are not generally known to the public and are maintained in a confidential manner by ANAPTYSBIO, and that are (A) disclosed by or on behalf of ANAPTYSBIO under this AGREEMENT, whether in oral or tangible form, or (B) observed at ANAPTYSBIO’s facilities during the term of this AGREEMENT; and (ii) in the case of

MILLIPORE, the MILLIPORE INTELLECTUAL PROPERTY, the terms of this AGREEMENT and the MATERIALS. MILLIPORE acknowledges that ANAPTYSBIO is unwilling to receive or have access to any confidential or proprietary data, documents, materials, procedures and information of MILLIPORE other than the MILLIPORE INTELLECTUAL PROPERTY and the MATERIALS, and MILLIPORE agrees not to disclose or make available to ANAPTYSBIO any such confidential or proprietary data, documents, materials, procedures or information.

"FIELD OF USE" means the use of the MILLIPORE INTELLECTUAL PROPERTY and/or MATERIALS for RESEARCH PURPOSES and/or COMMERCIAL PURPOSES by or on behalf of ANAPTYSBIO, including, without limitation, by (i) ANAPTYSBIO's AFFILIATES or authorized SUBLICENSEES, and (ii) ANAPTYSBIO PARTNERS. The FIELD OF USE specifically excludes:

[*]

"MAJOR MARKET" means [*].

"MANUFACTURING" means the use of the MATERIALS and/or MILLIPORE INTELLECTUAL PROPERTY in one or more steps in the making or production of COMMERCIALIZED PRODUCT that: (i) is intended for a commercial purpose (including, without limitation, pre-clinical and clinical development of COMMERCIALIZED PRODUCT intended for a commercial purpose); and (ii) does not contain the MATERIALS itself.

"MATERIALS" means the materials set out in Exhibit B as updated from time to time (and any replicates, progeny and derivatives thereof) to the extent covered by a valid claim of the MILLIPORE INTELLECTUAL PROPERTY.

"MILLIPORE INTELLECTUAL PROPERTY" means the patents and patent applications listed in Exhibit A, and all patents issuing from said patents and patent applications, including any divisionals, continuations and continuations-in-part (to the extent that they cover the same subject matter of the original application), and reissues and reexaminations of any such patents, together with all non-US counterparts of any of the foregoing.

"NET SALES" means the gross selling price actually invoiced by ANAPTYSBIO and/or its AFFILIATES or SUBLICENSEES to an arm's-length third-party purchaser of a COMMERCIALIZED PRODUCT less the following discounts: [*].

"REGULATORY AGENCY" means, with respect to any particular country or, where applicable, a multinational jurisdiction governmental authority, body, commission, agency or other instrumentality of such country or multinational jurisdiction (e.g., the EMEA with respect to the European Union), with the primary responsibility for the evaluation or approval of pharmaceutical products before a COMMERCIAL PRODUCT can be tested, marketed, promoted, distributed or sold in such country or multinational jurisdiction, including such governmental bodies, if any, that have jurisdiction over the pricing of such pharmaceutical product. The term "REGULATORY AGENCY" includes, without limitation, the FDA and the EMEA.

***Confidential Treatment Requested.**

“RESEARCH PURPOSES” means for purposes of using the MATERIALS and/or MILLIPORE INTELLECTUAL PROPERTY to express ANAPTYSBIO PROTEINS for pharmaceutical research and preclinical development programs conducted by or on behalf of ANAPTYSBIO (including, without limitation, by or for (i) ANAPTYSBIO’s AFFILIATES or SUBLICENSEES, and (ii) ANAPTYSBIO PARTNERS.

“SALE” means the sale, transfer, exchange, or other disposition of COMMERCIALIZED PRODUCTS for consideration to an arm’s-length THIRD PARTY, other than an AFFILIATE or SUBLICENSEE. Sales of COMMERCIALIZED PRODUCTS shall be deemed consummated upon the first to occur of: (a) receipt of payment from the purchaser; (b) delivery of COMMERCIALIZED PRODUCTS to the purchaser or common carrier; or (c) release of COMMERCIALIZED PRODUCTS from consignment.

“SUBLICENSEE” means a sublicensee of intellectual property rights owned or controlled by ANAPTYSBIO concerning ANAPTYSBIO TECHNOLOGY necessary or useful for developing and/or commercializing one or more COMMERCIALIZED PRODUCTS. The SUBLICENSEE will have no rights to use MILLIPORE INTELLECTUAL PROPERTY to generate new cells or cell lines, but may use ANAPTYSBIO CELL LINES generated by ANAPTYSBIO which express ANAPTYSBIO PROTEINS. For purposes of clarification, ANAPTYSBIO has the right to grant a sublicense to use ANAPTYSBIO CELL LINES for the purpose of development and/or commercialization of COMMERCIALIZED PRODUCTS, but no rights to grant a sublicense of the MILLIPORE INTELLECTUAL PROPERTY to generate cells or cell lines other than ANAPTYSBIO CELL LINES.

“TERM” means the time period which commences on the EFFECTIVE DATE and terminates on the last-to–expire Valid Claim (defined below) of the US patents listed in Exhibit A. For avoidance of doubt, any COMMERCIALIZED PRODUCTS manufactured prior to the last-to– expire Valid Claim of the US patents listed in Exhibit A shall be subject to payments due as provided in Article 4. For purposes hereof, “Valid Claim” means a claim contained in (a) an issued and unexpired patent which has not been held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through abandonment, reissue, disclaimer or otherwise, or (b) a pending patent application; provided, however, that if a claim of a pending patent application shall not have issued within ten (10) years after the earliest filing date from which such claim takes priority, such claim shall not constitute a Valid Claim for the purposes of this Agreement unless and until a patent issues with such claim.

“TERRITORY” means worldwide.

“THIRD PARTY” means any person or entity that is not a signor of this AGREEMENT or an AFFILIATE.

ARTICLE 3. GRANT OF NON-EXCLUSIVE LICENSE

3.1. **Research Rights**. MILLIPORE hereby grants ANAPTYSBIO, solely within the FIELD OF USE and TERRITORY, the non-exclusive right and license, under the MILLIPORE

INTELLECTUAL PROPERTY and to use and modify the MATERIALS, with the right to grant sublicenses as expressly provided in this AGREEMENT, to use the MATERIALS and MILLIPORE INTELLECTUAL PROPERTY for RESEARCH PURPOSES in ANAPTYSBIO's research facilities worldwide or the worldwide research facilities of a SUBLICENSEE or of a THIRD PARTY retained by ANAPTYSBIO or a SUBLICENSEE to perform contract research and/or contract development on behalf of ANAPTYSBIO (a "CRO") and specifically related to ANAPTYSBIO TECHNOLOGY and/or ANAPTYSBIO PROTEINS.

3.2. **Commercial Rights**. MILLIPORE hereby grants ANAPTYSBIO, solely within the FIELD OF USE and TERRITORY, the non-exclusive right and license, under the MILLIPORE INTELLECTUAL PROPERTY, with the right to grant sublicenses as expressly provided in this Agreement, to make, have made, use, have used, sell, have sold and import COMMERCIALIZED PRODUCTS for COMMERCIAL PURPOSES.

3.3. ANAPTYSBIO's authorized SUBLICENSEES are expressly prohibited from using the MILLIPORE INTELLECTUAL PROPERTY to [*]. ANAPTYSBIO may conduct activities pursuant to the rights granted hereunder, including, without limiting, cell line development, through use of AFFILIATES and/or service providers. A service provider that is engaged by ANAPTYSBIO or a SUBLICENSEE of ANAPTYSBIO shall not itself be considered a SUBLICENSEE.

ARTICLE 4. LICENSE FEES AND ROYALTY OBLIGATIONS

In partial consideration of the rights granted to ANAPTYSBIO herein, ANAPTYSBIO shall:

4.1. Pay MILLIPORE a non-refundable first research license fee in the sum of [*] Dollars ($[*]) upon execution of this AGREEMENT.

4.2. Pay MILLIPORE a non-refundable second research license fee in the sum of [*] Dollars ($[*]) on [*].

4.3. Pay MILLIPORE subsequent non-refundable annual research license fees in the sums of [*] Dollars ($[*]) on the [*], subject to clause 4.3.1 below.

4.3.1 In the event that the majority of stock or substantially all the assets of ANAPTYSBIO is transferred [*].

All annual research license fees shall be paid within thirty (30) days following annual anniversaries of the EFFECTIVE DATE of this AGREEMENT and shall be adjusted upward only, on a year-to-year basis, beginning after the third anniversary of the EFFECTIVE DATE, in accordance with increases in the United States Consumer Price Index – All Urban Consumers – US City Average (CPI).

4.4. Pay MILLIPORE the applicable milestone payment below within thirty (30) days following the first achievement of each of the milestone events below (or, in the case of each of the clinical COMMERCIAL MILESTONES below, the first achievement of such clinical COMMERCIAL MILESTONE in the first MAJOR MARKET in which such clinical COMMERCIAL MILESTONE was first achieved) by ANAPTYSBIO or its AFFILIATES

and/or SUBLICENSEES for each and every COMMERCIALIZED PRODUCT, on a product- by-product basis, as follows:

	COMMERCIAL MILESTONE	Milestone Payment
4.4.1	Enrollment of first patient in the first Phase I clinical trial of each COMMERCIALIZED PRODUCT	$[*]
4.4.2	Enrollment of first patient in the first Phase II clinical trial of each COMMERCIALIZED PRODUCT	$[*]
4.4.3	Enrollment of first patient in the first Phase III clinical trial of each COMMERCIALIZED PRODUCT	$[*]
4.4.4	First commercial SALE of each COMMERCIALIZED PRODUCT in a MAJOR MARKET	$[*]
4.4.5	When each COMMERCIALIZED PRODUCT first reaches SALES of over $[*] in the first applicable calendar year	$[*]
4.4.6	When each COMMERCIALIZED PRODUCT first reaches SALES of over $[*] in the first applicable calendar year	$[*]
4.4.7	When each COMMERCIALIZED PRODUCT first reaches SALES of over $[*] in the first applicable calendar year	$[*]

For purposes of clarification, subject to clause 4.5 below, each of the milestone payments specified in this clause 4.4 shall be payable only one time per COMMERCIALIZED PRODUCT regardless of the number of indications for which a COMMERCIALIZED PRODUCT is developed or approved, and, in the case of the milestone payments for COMMERCIAL MILESTONES [*], regardless of the number of MAJOR MARKETS in which a COMMERCIALIZED PRODUCT achieves the same COMMERCIAL MILESTONE.

In the event ANAPTYSBIO sells all or substantially all of its rights to one or more COMMERCIALIZED PRODUCTS to a THIRD PARTY, whether by merger, sale of stock, sale of assets or otherwise, [*]% of the milestone payment for the next-to-occur clinical COMMERCIAL MILESTONE for the MOST-ADVANCED COMMERCIALIZED PRODUCT (defined below) to which such THIRD PARTY acquires rights will be due, which amount shall be fully creditable against future payments due hereunder. All remaining COMMERCIAL MILESTONES shall continue in full force and effect. “MOST ADVANCED COMMERCIALIZED PRODUCT” means, of all of the COMMERCIALIZED

PRODUCTS to which a THIRD PARTY acquires rights in a transaction or series of transactions of the type described in the first sentence of this Section 4.3.1, the COMMERCIALIZED PRODUCT that is at the most advanced stage of development but has not yet achieved all of the clinical COMMERCIAL MILESTONES (i.e., COMMERCIAL MILESTONES 1, 2 and 3) at the time of consummation of such transaction(s).

4.5. ANAPTYSBIO shall notify MILLIPORE, in writing, of the achievement of each COMMERCIAL MILESTONE for which a milestone payment is due under clause 4.4(a) or 4.4(b) within thirty (30) calendar days after such achievement. For purposes of this AGREEMENT, a COMMERCIALIZED PRODUCT that contains a particular ANAPTYSBIO PROTEIN or particular ANAPTYSBIO PROTEINS and any and all other COMMERCIALIZED PRODUCTS (such as modified, improved or "next generation" COMMERCIALIZED PRODUCTS) that contains the same ANAPTYSBIO PROTEIN(S) shall collectively be considered one and the same COMMERCIALIZED PRODUCT, regardless of whether such COMMERCIALIZED PRODUCTS are sold under different product names or trademarks. Without limiting the generality of the foregoing, and solely by way of example, if (i) development of a COMMERCIALIZED PRODUCT containing a particular ANAPTYSBIO PROTEIN or particular ANAPTYSBIO PROTEINS is abandoned after one or more of the COMMERCIAL MILESTONES has been achieved, and (ii) any COMMERCIALIZED PRODUCT containing the same ANAPTYSBIO PROTEIN(S) is developed as a replacement for the abandoned COMMERCIALIZED PRODUCT, then no milestone payment shall be due upon achievement of any COMMERCIAL MILESTONE by the replacement COMMERCIALIZED PRODUCT that was previously achieved by the abandoned COMMERCIALIZED PRODUCT.

4.6. All payments due pursuant to this AGREEMENT shall be paid in United States dollars.

ARTICLE 5. SUBLICENSING RIGHTS AND OBLIGATIONS

ANAPTYSBIO may sub-license only the rights granted to it under clause 3.1 and/or clause 3.2 to any CRO(s) and to THIRD PARTY(IES), in each case, solely for the use of cells, cell lines or clones containing the MATERIALS which express ANAPTYSBIO PROTEINS so long as:

a) All terms and conditions of any sublicense shall contain terms and conditions that are consistent with the terms and conditions of this AGREEMENT.

b) ANAPTYSBIO shall pay continuing applicable Milestone Payments to MILLIPORE on the achievement of COMMERCIAL MILESTONES by any SUBLICENSEE in accordance with Clause 4.4 above.

c) The sublicense does not permit any SUBLICENSEE or CRO to transfer or assign its sublicense to use the MILLIPORE INTELLECTUAL PROPERTY; provided, however, that a sublicense may permit such SUBLICENSEE or CRO to assign such sublicense to an AFFILIATE or to any successor-in-interest by way of merger, acquisition, or sale of all or substantially all of its assets related to such sublicense, in which event such SUBLICENSEE or CRO shall be obligated to notify ANAPTYSBIO and in such

instances, ANAPTYSBIO shall be obligated to notify MILLIPORE in writing of such assignment; and provided, further, that a sublicense may permit a SUBLICENSEE to sublicense its rights to a CRO so long as ANAPTYSBIO complies with clause (e) below.

d) The sublicense shall contain provisions that any sublicense to use the MILLIPORE INTELLECTUAL PROPERTY that was granted to the SUBLICENSEE or CRO shall terminate upon the termination of this AGREEMENT; provided, however, that the sublicense may permit the SUBLICENSEE or CRO to retain and continue using any already-existing ANAPTYSBIO CELL LINES as permitted by Article 9.

e) ANAPTYSBIO shall notify MILLIPORE in writing of the sublicense and its applicable terms concerning the MILLIPORE INTELLECTUAL PROPERTY promptly following the signing of such sublicense; provided, however, that ANAPTYSBIO shall not be required to disclose to MILLIPORE the financial terms of any sublicense.

ARTICLE 6. REPORTING OBLIGATIONS

6.1. ANAPTYSBIO and its SUBLICENSEES and AFFILIATES will keep accurate books and records showing all COMMERCIALIZED PRODUCTS offered for sale, imported, sold and or otherwise exploited and all NET SALES and any other amounts payable herein. Such books and records will be preserved for at least three (3) years after the date of the payment to which they pertain and will be open to inspection by an independent certified public accountant retained by MILLIPORE at reasonable times (but no more frequently than annually) on prior written notice to ANAPTYSBIO solely to determine the accuracy of reports and payments made by ANAPTYSBIO under this AGREEMENT and to assess ANAPTYSBIO's compliance with the payment terms of this AGREEMENT. Such independent certified public accountant shall execute and deliver a confidentiality agreement reasonably requested by ANAPTYSBIO and shall not disclose to MILLIPORE any information other than information relating to accuracy of reports and payments made by ANAPTYSBIO under this AGREEMENT and the compliance by ANAPTYSBIO of the terms of this AGREEMENT. MILLIPORE shall bear the fees and expenses of such examination. If, however, an error in payments due of more than [*] percent ([*]%) or $[*] (whichever is greater) for any year is discovered in any examination, then ANAPTYSBIO shall reimburse MILLIPORE the reasonable fees and expenses of such examination and shall remit the underpayment to MILLIPORE along with applicable simple interest due at the rate of [*] per annum within [*] days of delivery of the examination result to ANAPTYSBIO.

6.2. For each COMMERCIALIZED PRODUCT, ANAPTYSBIO shall identify to MILLIPORE the reference number for all applicable Biological Master Files (or equivalent) for such COMMERCIALIZED PRODUCT filed by ANAPTYSBIO or its SUBLICENSEES or ANAPTYSBIO PARTNERS with the relevant REGULATORY AGENCIES. MILLIPORE shall have the right to identify to any REGULATORY AGENCY such reference number for any such Biological Master File (or equivalent) with regard to COMMERCIALIZED PRODUCTS developed by THIRD PARTIES with the use of MILLIPORE INTELLECTUAL PROPERTY, for the sole purpose of notifying the REGULATORY AGENCY of the existence of such prior Biological Master File. Any such identification shall be made solely to the REGULATORY AGENCY and shall not constitute authorization to or by MILLIPORE or any THIRD PARTY

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(except the REGULATORY AGENCY) to access, reference or use any such filing or any data therein or to disclose or use any confidential or proprietary information in any such filing or in any IND (or equivalent) or Biological Master File (or equivalent) or other filing submitted by ANAPTYSBIO or any AFFILIATE or SUBLICENSEE with any REGULATORY AGENCY.

ARTICLE 7. OWNERSHIP OF THE INTELLECTUAL PROPERTY

7.1. The MILLIPORE INTELLECTUAL PROPERTY and MATERIALS shall at all times remain the property of MILLIPORE.

7.2. ANAPTYSBIO shall at all times be the sole owner of ANAPTYSBIO's technology made prior to or outside the scope of the license ("ANAPTYSBIO's BACKGROUND TECHNOLOGY"), all ANAPTYSBIO CELL LINES, all ANAPTYSBIO TECHNOLOGY and all ANAPTYSBIO PROTEINS.

7.3. ANAPTYSBIO agrees that the MILLIPORE INTELLECTUAL PROPERTY and MATERIALS will be used solely within the FIELD OF USE.

7.4. ANAPTYSBIO agrees that it shall hold and use the MILLIPORE INTELLECTUAL PROPERTY and MATERIALS in a confidential and secure manner, to the extent provided in Article 10 below.

ARTICLE 8. INTELLECTUAL PROPERTY IMPROVEMENTS

Any and all results, discoveries, improvements and/or inventions (whether or not patentable) (a) made solely by or on behalf of ANAPTYSBIO shall be the sole and exclusive property of ANAPTYSBIO, except that any made by ANAPTYSBIO that [*]; (b) made solely by MILLIPORE shall be the sole and exclusive property of MILLIPORE, except that any made by MILLIPORE which relate to or are enabled by ANAPTYSBIO's BACKGROUND TECHNOLOGY, the ANAPTYSBIO CELL LINES, the ANAPTYSBIO PROTEINS and/or the ANAPTYSBIO TECHNOLOGY shall be the sole and exclusive property of ANAPTYSBIO (it being understood, however, that ANAPTYSBIO is not granting to MILLIPORE any license or other right to use, or any access to, ANAPTYSBIO's BACKGROUND TECHNOLOGY, the ANAPTYSBIO CELL LINES, the ANAPTYSBIO PROTEINS and/or the ANAPTYSBIO TECHNOLOGY); and (c) made jointly by MILLIPORE and ANAPTYSBIO shall be the joint property of MILLIPORE and ANAPTYSBIO; provided that any jointly made results, discoveries, improvements and/or inventions [*]. Each PARTY, upon the request and cost of the other PARTY, shall promptly perform all necessary acts to execute any patent applications, assignments and/or other documents which the other PARTY deems necessary or useful for the prosecution of results, discoveries, improvement and/or inventions owned by such other PARTY.

ARTICLE 9. TERM AND TERMINATION

9.1. This AGREEMENT shall commence on the EFFECTIVE DATE and shall, unless terminated earlier as provided herein, continue in full force and effect. The term during which ANAPTYSBIO shall pay to MILLIPORE research license fees and milestone payments pursuant to this AGREEMENT shall end upon the expiration of the TERM. Upon the expiration of the

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TERM, the licenses and other rights granted by MILLIPORE to ANAPTYSBIO pursuant to this AGREEMENT shall be fully paid-up.

9.2. ANAPTYSBIO shall have the right to voluntarily terminate this AGREEMENT, for any or no reason, on not less than ninety (90) days written notice to MILLIPORE. However, the obligation to pay the first year research license fee (clause 4.1) is non-terminable in the event ANAPTYSBIO exercises its rights pursuant this paragraph.

9.3. Either PARTY may terminate this AGREEMENT upon material breach of this AGREEMENT by the other PARTY (including, in the case of termination by MILLIPORE, a breach resulting from ANAPTYSBIO's failure to pay any sums due hereunder) where such breach shall not have been remedied within sixty (60) days of the receipt of a written notification from the other PARTY identifying the breach and requiring its remedy. Upon termination of this AGREEMENT by ANAPTYSBIO on account of the material breach by MILLIPORE, MILLIPORE shall promptly refund to ANAPTYSBIO the pro rata portion of any research license fees attributable to the period of time following such termination.

9.4. In the event of termination of this AGREEMENT, ANAPTYSBIO's licenses under clauses 3.1 and 3.2 with respect to any ANAPTYSBIO CELL LINES generated before such termination (including, without limitation, ANAPTYSBIO's right to sublicense such ANAPTYSBIO CELL LINES in accordance with clause (d) of Article 5) and ANAPTYSBIO's rights with respect to ANAPTYSBIO PROTEINS expressed by such ANAPTYSBIO CELL LINES, shall survive such termination and continue in full force and effect, subject to the terms and conditions of this AGREEMENT (including, without limitation, Article 4 hereof); provided, however, that if MILLIPORE terminates this AGREEMENT for ANAPTYSBIO's uncured material breach of any of its payment obligations under Article 4, then ANAPTYSBIO's licenses with respect to such existing ANAPTYSBIO CELL LINES shall terminate, and ANAPTYSBIO shall destroy such existing ANAPTYSBIO CELL LINES as specified below in this Article 9.

9.5. Upon termination of this AGREEMENT by MILLIPORE pursuant to the terms hereof, each sublicense by ANAPTYSBIO to a SUBLICENSEE to use the MILLIPORE INTELLECTUAL PROPERTY for COMMERCIAL PURPOSES that was in effect before such termination will survive such termination; provided, however, that (i) such sublicense was granted in accordance with the terms of this AGREEMENT; (ii) such SUBLICENSEE is not the cause of such breach; (iii) such SUBLICENSEE agrees in writing to assume all applicable obligations of ANAPTYSBIO under this AGREEMENT; and (iv) MILLIPORE continues to receive from such SUBLICENSEE all payments under Article 4 that MILLIPORE would have received from ANAPTYSBIO with respect to such SUBLICENSEE's activities had this AGREEMENT remained in effect.

9.6. ANAPTYSBIO agrees that, upon termination of this AGREEMENT, all MATERIALS and other MATERIALS incorporated in mixtures or combinations with ANAPTYSBIO TECHNOLOGY and/or ANAPTYSBIO PROTEINS in its possession or control, including any in the possession of its CROs or SUBLICENSEES or ANAPTYSBIO PARTNERS, shall be destroyed within thirty (30) days following such termination, unless otherwise agreed in writing by the PARTIES; provided, however, that neither ANAPTYSBIO nor any of its CROs or SUBLICENSEES or ANAPTYSBIO PARTNERS shall be required to

destroy or to cease using any existing ANAPTYSBIO CELL LINES to which ANAPTYSBIO retains its license as set forth above in this Article 9 or any ANAPTYSBIO PROTEINS expressed by such ANAPTYSBIO CELL LINES; and provided, further, that notwithstanding anything contained in this AGREEMENT to the contrary, ANAPTYSBIO shall have the right following such termination to sell any inventory of COMMERCIALIZED PRODUCTS and finish and sell any work in progress. ANAPTYSBIO's obligation pursuant to this paragraph shall not apply if this AGREEMENT is terminated by ANAPTYSBIO on account of the breach of this AGREEMENT by MILLIPORE.

9.7. Articles 6, 7, 8, 9 (including any other provisions specified herein as surviving), 10, 12, 13, 14 & 15 shall survive termination of this AGREEMENT or expiration of TERM and continue in full force and effect.

ARTICLE 10. CONFIDENTIALITY

10.1. Each PARTY agrees to maintain, and require its employees, agents, representatives and AFFILIATES and their employees, agents and representatives to maintain, CONFIDENTIAL INFORMATION of the other PARTY with the same degree of care it uses to protect its own CONFIDENTIAL INFORMATION of a similar nature, and each PARTY represents that it exercises reasonable care to protect its own CONFIDENTIAL INFORMATION. Each PARTY agrees not to use, and require its employees, agents, representatives and AFFILIATES and their employees, agents and representatives not to use, the CONFIDENTIAL INFORMATION of the other PARTY for any purpose other than performing its obligations and exercising its rights under this AGREEMENT, except as otherwise explicitly set forth in this Article.

10.2. Each PARTY agrees to maintain in confidence and not to disclose to any THIRD PARTY, other than its employees, agents, representatives and AFFILIATES and their employees, agents and representatives, any CONFIDENTIAL INFORMATION of the other PARTY, either during or for five years after expiration of the TERM or earlier termination of this AGREEMENT.

10.3. Without granting any right or license to the use of its CONFIDENTIAL INFORMATION, except as specifically provided hereunder, each PARTY agrees that the limitations of non-use and non-disclosure of CONFIDENTIAL INFORMATION it provides to the other PARTY under this AGREEMENT shall not apply to such information, to the extent and only to the extent, that the receiving PARTY can credibly document that such information:

(i) is now or hereafter becomes generally known or available to the public without the receiving PARTY's breach of any obligation owed to the providing PARTY; or

(ii) is independently developed by the receiving PARTY without use of or reference to CONFIDENTIAL INFORMATION of the providing PARTY, or

(iii) was acquired by the receiving PARTY before receiving such information from the providing PARTY under this AGREEMENT, without restriction as to use or disclosure; or

(iv) is hereafter rightfully furnished to the receiving PARTY by an AFFILIATE or THIRD PARTY without any breach of an obligation of confidentiality to the providing PARTY and without restriction on use or disclosure; or

(v) is disclosed or used by the receiving PARTY with the prior written consent of the providing PARTY, on a case-by-case basis.

10.4. For purposes of clarifying clause 10.3 (confidentiality and non-use exclusions), information that is combined, synthesized or used by the providing PARTY in a particular manner, as provided to the receiving PARTY under this AGREEMENT, shall not be deemed “known”, “available”, “developed”, “acquired”, or “furnished” separately to the receiving PARTY merely because the various pieces of information were previously known, available, developed, acquired, or furnished without being so combined, synthesized or used.

10.5. A receiving PARTY may disclose CONFIDENTIAL INFORMATION to the extent required to do so by applicable law, an administrative or court order, or governmental regulation; provided that the receiving PARTY promptly notifies the providing PARTY when it learns that disclosure may be required, and the receiving PARTY shall, at the providing PARTY’s expense, take reasonable action to avoid the disclosure or limit its scope. Any information disclosed pursuant to this clause 10.5 will remain the CONFIDENTIAL INFORMATION of the providing PARTY and subject to this AGREEMENT.

10.6. Either PARTY may, without the prior written consent of the other PARTY, disclose the terms of this AGREEMENT to such PARTY’s lawyers or other paid consultants or advisors, under substantially the same terms as clauses 10.1 through 10.5 (confidentiality and non-use requirements), solely for the purpose of discussions related to business decisions of such PARTY. Any information disclosed pursuant to this clause 10.6 will remain the CONFIDENTIAL INFORMATION of the providing PARTY and subject to this AGREEMENT.

10.7. The terms of this AGREEMENT are deemed confidential, but (a) either PARTY may disclose the existence of this AGREEMENT, without disclosing the terms, in a media release or similar public announcement provided that such PARTY allows the other PARTY a reasonable opportunity to review and comment on the content of such release or announcement prior to its release which approval shall not be unreasonably withheld or delayed, and (b) ANAPTYSBIO may disclose the existence of this AGREEMENT to its current or prospective banks or other financial institutions or current or prospective investors for the purpose of raising capital or borrowing money.

10.8. Notwithstanding anything contained in this AGREEMENT to the contrary, ANAPTYSBIO shall be permitted to disclose CONFIDENTIAL INFORMATION of MILLIPORE and the existence and terms of this AGREEMENT to (a) ANAPTYSBIO’s current or prospective banks or other financial institutions or investors for the purpose of raising capital or borrowing money or maintaining compliance with agreements, arrangements and understandings relating thereto, and (b) to any person or entity who proposes to be a SUBLICENSEE or to purchase or otherwise succeed (by merger, operation of law or otherwise) to all of ANAPTYSBIO’s right, title and interest in, to and under this Agreement, if such person

or entity agrees to maintain the confidentiality of such CONFIDENTIAL INFORMATION pursuant to written confidentiality agreement.

ARTICLE 11. REPRESENTATIONS AND WARRANTIES; INSURANCE

11.1. Each PARTY hereby represents and warrants to the other PARTY that (a) it has all requisite power and authority to enter into this AGREEMENT and to consummate the transactions contemplated hereby, and (b) this AGREEMENT has been duly and validly executed and delivered by such PARTY and constitutes its valid, legal and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

11.2. MILLIPORE hereby represents and warrants to ANAPTYSBIO that as of the EFFECTIVE DATE (a) to its knowledge, neither the grant of the licenses pursuant to this AGREEMENT nor the practice of the MILLIPORE INTELLECTUAL PROPERTY or use of the MATERIALS by ANAPTYSBIO, its AFFILIATES and/or its SUBLICENSEES shall infringe or misappropriate any patent or other intellectual property rights of any THIRD PARTY and it does not know of any claim of a THIRD PARTY with respect to any such infringement or misappropriation; and (b) MILLIPORE owns or controls the entire right, title, and interest in and to the MILLIPORE INTELLECTUAL PROPERTY and the MATERIALS as of the EFFECTIVE DATE; and (c) the MATERIALS have been manufactured by or on behalf of MILLIPORE in accordance with all applicable laws.

11.3. ANAPTYSBIO warrants that it will not MANUFACTURE, use, sublicense or sell COMMERCIALIZED PRODUCT for any purpose other than those purposes for which it is authorized under Articles 3 and 5.

11.4. ANAPTYSBIO shall take out, maintain and keep current in respect of the manufacture, sale and use of COMMERCIALIZED PRODUCT all appropriate insurances, as determined by ANAPTYSBIO in good faith, including, commencing upon the first commercial SALE by ANAPTYSBIO of a COMMERCIALIZED PRODUCT, adequate product liability insurance and appropriate THIRD PARTY and other insurance.

11.5. EXCEPT AS PROVIDED HEREIN, NEITHER PARTY MAKES ANY REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE 12. INDEMNITY & LIMITATION OF LIABILITY

12.1. ANAPTYSBIO shall indemnify, defend and hold MILLIPORE and its directors, officers, employees and agents harmless from and against any and all THIRD PARTY claims, demands, or causes of action (each, a "Liability") arising out of or relating in any way to (i) the possession, manufacture, use, sale or other disposition of COMMERCIALIZED PRODUCT hereunder, whether based on breach of warranty, negligence, product liability or otherwise, (ii) the exercise of any right granted to ANAPTYSBIO pursuant to this Agreement, or (iii) any

breach of this Agreement by ANAPTYSBIO, except to the extent, in each case, that such Liability is caused by the negligence or willful misconduct of MILLIPORE, its directors, officers, employees and/or agents as determined by a court of competent jurisdiction or by MILLIPORE's breach of this AGREEMENT; provided, however, that upon receiving notice of any such Liability, MILLIPORE shall promptly notify ANAPTYSBIO and permit ANAPTYSBIO to handle and control the defense (including litigation and settlement) of such Liability, at ANAPTYSBIO's sole expense, and MILLIPORE shall reasonably cooperate with ANAPTYSBIO in the defense of such Liability, at ANAPTYSBIO's sole expense.

12.2. LIMITATION OF LIABILITY. NEITHER PARTY OR ITS AFFILIATES SHALL BE LIABLE TO THE OTHER PARTY OR THE OTHER PARTY'S AFFILIATES FOR ANY CONSEQUENTIAL, SPECIAL, INDIRECT OR EXEMPLARY DAMAGES OR FOR THE LOSS OF PROFITS ARISING FROM THE PERFORMANCE OR NONPERFORMANCE OF THIS AGREEMENT OR ANY ACTS OR OMISSIONS ASSOCIATED HEREWITH.

ARTICLE 13. NOTICE

13.1. Any notices required or permitted to be given under this AGREEMENT shall be deemed given on the date received in writing: personally; or by a letter delivered to a reputable courier guaranteeing next day service; or by facsimile, with confirmation by prepaid first class letter sent the same day.

If to MILLIPORE: Attn. Business Development Department 290 Concord Road Billerica, MA 01821

with a copy to:
Intellectual Property Department
28820 Single Oak Drive
Temecula, CA 92590

If to ANAPTYSBIO:
AnaptysBio, Inc.
10835 Road to the Cure, Suite 100
San Diego, California 92121
Attention: Chief Executive Officer

with a copy to:
AnaptysBio, Inc.
10835 Road to the Cure, Suite 100
San Diego, California 92121
Attention: Vice President, Corporate Development

13.2. Any PARTY may change its designated address and facsimile number by notice to the other PARTY in the manner provided in this Article 13.

ARTICLE 14. DISPUTE RESOLUTION

14.1. In the event any PARTY claims breach of this AGREEMENT, the PARTIES shall consult with each other in good faith on the most effective means to cure the breach and to achieve any necessary restitution of its consequences. This consultation shall be undertaken

within a period of [*] days following the receipt of a written request to consult, and the consultation period shall not exceed [*] days. During the consultation period, neither litigation nor arbitration may be pursued until attempts at consultative dispute resolution have been exhausted.

14.2. Any dispute between the PARTIES arising out of or related to this AGREEMENT and not resolved by consultation as provided in clause 14.1 shall be finally settled by binding, expedited arbitration in accordance with the applicable rules of the American Arbitration Association regarding commercial or business disputes ("Rules") then in effect. The arbitration proceeding shall be conducted in Denver, CO, and carried out by a single arbitrator, selected according to such Rules. Each PARTY shall be responsible for any costs or expenses incurred in presenting such PARTY's case to the arbitrators, such as attorneys' fees or expert witness fees, and all other fees and expenses of the arbitrator shall initially be paid equally by the PARTIES, provided that the arbitrator shall have the authority, but not the obligation, to require a PARTY to reimburse all or any portion of such costs, expenses and/or fees in the final award. The decision of the arbitrator shall be final and binding on the PARTIES, provided however that the arbitrator shall not have the authority to alter any explicit provision of this AGREEMENT. Judgment upon the arbitrator's decision may be entered in any court of competent jurisdiction.

14.3. Notwithstanding clauses 14.1 and 14.2 or any other provision of this Agreement to the contrary, either PARTY shall at all times have the right to seek injunctive or other equitable relief from a court of competent jurisdiction in the context of a bona fide emergency or prospective irreparable harm, and such an action may be filed and maintained notwithstanding any consultation or ongoing arbitration proceeding. Further, in the event ANAPTYSBIO or its AFFILIATE thereof files an action seeking a declaration of patent invalidity and/or unenforceability of any MILLIPORE INTELLECTUAL PROPERTY, ANAPTYSBIO shall bear all of MILLIPORE's fees, costs and expenses associated with litigating such action, including the fees, costs and expenses associated with any appeals.

ARTICLE 15. MISCELLANEOUS

15.1. **Amendments**. No change, modification, extension, termination, or waiver of this AGREEMENT, or any of the provisions herein contained, shall be valid unless made in writing and signed by duly authorized representatives of the PARTIES hereto.

15.2. **Assignment**. Neither this AGREEMENT nor any rights or benefits hereunder shall be assignable or transferable by either PARTY without the written consent of the other PARTY; provided, however, that either PARTY shall have the right to assign this AGREEMENT to an AFFILIATE or to any successor-in-interest by way of merger, acquisition, or sale of all or substantially all of its assets related to the performance of this AGREEMENT. Should a merger, acquisition or sale occur, the affected PARTY shall notify the other PARTY. Any purported assignment by a PARTY not in accordance with this clause shall be void.

15.3. **Binding Effect**. This AGREEMENT shall be binding upon and inure to the benefit of the successors and permitted assigns of the PARTIES.

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15.4. **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.

15.5. **Exhibit Incorporation**. All Exhibits cited herein are incorporated by reference and made a part of this AGREEMENT.

15.6. **Headings**. The Article, paragraph and clause headings, and paragraph parenthetical cross-references contained herein are for the purposes of convenience of reference only and are not intended to define or limit the contents of said Articles, paragraphs or clauses.

15.7. **Independent Contractors**. Nothing in this AGREEMENT is intended nor is to be construed as to constitute the PARTIES as partners, joint venturers, or principal and agent with respect to this AGREEMENT. No PARTY shall have any express or implied authority to bind the other PARTY to any other agreement, contract, obligation or undertaking with any THIRD PARTY.

15.8. **Interpretation**. Whenever required by the context, the singular term shall include the plural, the plural term shall include the singular, and the gender of any pronoun shall include all genders. Whenever the last day for the exercise of any privilege or the discharge of any duty hereunder shall fall on a Saturday, Sunday, or national or local holiday, the PARTY having such privilege or duty shall have until 5:00 pm on the next succeeding business day to exercise such privilege or to discharge such duty. It is further agreed that no usage of trade or other regular practice between the PARTIES hereto shall be used to interpret or alter the terms of this AGREEMENT. Since the PARTIES have participated jointly in the negotiation and drafting of this AGREEMENT, in the event an ambiguity or question of interpretation arises, no presumption or burden of proof shall arise favoring or disfavoring any PARTY by virtue of authorship of any provision of this AGREEMENT.

15.9. **Prior Agreements**. This AGREEMENT together with the Exhibits hereto, sets forth the entire understanding between the PARTIES with respect to the mattes dealt with herein and supersedes any and all prior agreements, written or oral, previously entered into by the PARTIES covering the matters dealt with herein.

15.10. **Severability**. If any provision of this AGREEMENET is in violation of any law or is found to be otherwise unenforceable by a court or competent administrative body from which there is no appeal, or no appeal is taken, such provision shall be deleted and the PARTIES shall negotiate in good faith to substitute for any such invalid or unenforceable provision, a valid and enforceable provision that achieves to the greatest extent possible the economic, legal and commercial objectives of the invalid or unenforceable provision, a valid and enforceable provision that achieves to the greatest extent possible the economic, legal and commercial objectives of the invalid or unenforceable provision.

15.11. **Waiver**. No delay on the part of any PARTY hereto in exercising any power or right hereunder shall operate as a waiver thereof, nor shall nay single or partial exercise of any power or right hereunder operate as a waiver thereof, nor shall any single or partial exercise of

any power or right hereunder preclude other or further exercise thereof or the exercise of any other power or right.

For purposes hereof, a facsimile of a signed copy shall have the same force and effect as an original signed AGREEMENT.

MILLIPORE CORPORATION

By: /s/ Andrew Bulpin
Name/Title: A Bulpin VP

Date: 18 May 2009

ANAPTYSBIO, INC.

By: /s/ Tom Smart
Name/Title: Tom Smart, CEO

Date: May 14, 2009

Exhibit A

[*]

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Exhibit B

[*]

***Confidential Treatment Requested.**