

Life Sciences Discovery Fund 2012 PreCede Grant Award Agreement

This agreement ("Agreement"), is entered into by the Life Sciences Discovery Fund Authority, ("Grantor"), a granting agency of the state of Washington, with offices at 1551 Eastlake Avenue East, Suite 325, Seattle, WA 98102, and [REDACTED] ("Grantee"), having an administrative office at address, city, state, zip code [REDACTED] and the U.S. Federal Tax Identification Number [REDACTED];

Grantor is authorized by statute of the state of Washington to make grants for the fundamental government purpose of promoting life sciences research to improve health and health care, foster economic development, and strengthen the competitiveness of the life sciences sector within Washington state;

Grantor intends to sponsor life sciences research and development under the direction of [REDACTED] ("Principal Investigator") and to award Grantee funds not to exceed \$ [REDACTED] to conduct such research and development;

Grantee intends to conduct the sponsored research and development in accordance with the grant proposal submitted to Grantor;

NOW, THEREFORE, in consideration of the above and the mutual terms and conditions set forth below, Grantor and Grantee agree as follows:

ARTICLE 1. EFFECTIVE DATE AND GRANT PERIOD

This Agreement shall be effective on [REDACTED] ("Effective Date"). The activities set forth in the Milestones and Timeline (as defined in Section 2.2) shall be performed during the [REDACTED] month period beginning on the Effective Date and ending [REDACTED] ("Grant Period").

ARTICLE 2. DESCRIPTION OF RESEARCH PROJECT

2.1 Proposal. The grant awarded herein provides funding for the research and development project described in the proposal submitted by Grantee to Grantor entitled, [REDACTED], (Grantor reference number LSDF [REDACTED]) ("Proposal"), which is attached to this Agreement as Exhibit A. Grantee's work under the Proposal and the activities set forth in the Milestones and Timeline is aimed at development and future commercialization of a [provide product/service description here] ("Product").

2.2 Milestones and Timeline. In performing the project described within the Proposal, Grantee shall use its reasonable best efforts to complete the activities set forth in the milestones and timeline ("Milestones and Timeline") found in Exhibit B. Grantee shall notify Grantor immediately of any event which reduces or is likely to materially reduce Grantee's ability to undertake the activities set forth in the Milestones and Timeline. Material changes in the Milestones and Timeline require the advance written approval of Grantor.

2.3 Conduct under the Milestones and Timeline. Grantee shall allocate space, monies, personnel and other resources as described within the Proposal to complete the activities set forth in the Milestones and Timeline. Grantee's failure to make such allocations shall be deemed to be a termination of the activities set forth in the Milestones and Timeline by Grantee. Termination of the activities set forth in the Milestones and Timeline by Grantee is grounds for termination of this Agreement. In performing the activities set forth in the Milestones and Timeline, Grantee shall maintain complete and accurate records of such activities, follow commonly accepted standards of workmanship, and comply with all relevant federal, state, or local laws and regulations, and Washington state executive orders. Without limiting the general requirement contained herein, Grantee shall comply with all federal and state laws relating to discrimination by employers or in public accommodations, receipt and disbursement of state and federal funds, tax reporting and withholding requirements, workers' compensation, and wage and hour laws.

Recipient shall use Commercially Reasonable Efforts (as defined in Section 6.1) to commercialize the Product, including any technology and intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline.

2.4 Key Personnel. The activities set forth in the Milestones and Timeline shall be carried out under the direction of the Principal Investigator who shall select and supervise other participants as needed. Key Personnel are those individuals, other than the Principal Investigator, who are essential to performing the activities set forth in the Milestones and Timeline and to commercializing the Product, including any technology and intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline. Key Personnel and their responsibilities are listed in Exhibit C. The Principal Investigator shall be responsible for administering the Grant (as defined in Section 3.1) in accordance with the terms and conditions of this Agreement, supervising the activities set forth in the Milestones and Timeline, submitting progress reports to Grantor in a timely manner, overseeing personnel matters and disbursement of Grant funds, and responding to any inquiries from Grantor related to progress or financial reports or to an audit of grant expenses. The

Principal Investigator shall sign or otherwise authorize all progress reports and requests made pursuant to this Agreement.

In the event that during the Grant Period the Principal Investigator changes his or her employment status with Grantee, relocates outside of Washington, or otherwise is unable to fulfill the role of Principal Investigator, or an individual within the Key Personnel is no longer able to perform his or her responsibilities as set forth in Exhibit C, Grantee shall notify Grantor in writing 30 days prior to such event, or as soon as practical, and identify in writing an alternate Principal Investigator or Key Personnel member, acceptable to Grantor. Failure by Grantee to have either an approved Principal Investigator or an approved full complement of Key Personnel is grounds for termination of this Agreement.

In the event that during the Grant Period the Principal Investigator or other individuals performing the activities set forth in the Milestones and Timeline: (a) are debarred, declared ineligible, or voluntarily excluded from participation in transactions by any federal department or agency, including, but not limited to the U.S. Food and Drug Administration ("FDA"), or under any federal statute or regulation, including, but not limited to the provisions of the Generic Drug Enforcement Act of 1992, 21 U.S.C.; or (b) are otherwise subject to restrictions or sanctions by any other governmental agency or professional body with respect to the performance of scientific or clinical investigations; or (c) have otherwise been disqualified or suspended from performing activities substantially the same as those set forth in the Milestones and Timeline; Grantee shall immediately notify Grantor in writing. Debarment, ineligibility, exclusion, or other disqualification or suspension of the Principal Investigator or other individuals set to perform the activities set forth in the Milestones and Timeline from actually performing such activities is grounds for termination of this Agreement.

2.5 Control of Milestones and Timeline. Control of the activities set forth in the Milestones and Timeline shall rest with Grantee.

2.6 Collaborators and Service Providers. Subject to the terms of this Agreement, Grantee may engage third party collaborators and service providers in performing the activities set forth in the Milestones and Timeline. Grantee shall be responsible for the performance of all such collaborators and service providers and for ensuring that their work is consistent with the terms and conditions of this Agreement. Grantee warrants that it shall enter into written agreement(s) with all such collaborators and service providers as specified in the Milestones and Timeline. Among other provisions, such agreement(s) shall allow for the allocation of the rights that Grantee and collaborators and service providers shall have in any intellectual property developed in performing the activities set forth in the Milestones and Timeline and shall identify which of the

parties shall be responsible for commercialization of such intellectual property. Grantee's collaborators and service providers are listed in Exhibit D.

2.7 Title to Equipment and Computers. Title to equipment and computers purchased under the Grant shall be vested in Grantee, on condition that such equipment and computers are used for performance of the activities set forth in the Milestones and Timeline. Failure to keep equipment and computers available for such activities during the Grant Period is grounds for termination of this Agreement. Prior to authorizing the use of Grant funds to purchase equipment, Grantor, at its sole discretion, may require Grantee to execute a security agreement with Grantor that is satisfactory in both form and substance to Grantor. The security agreement shall, unless otherwise agreed to by Grantor, grant Grantor a first priority interest in such equipment.

ARTICLE 3. FUNDING AND PAYMENT

3.1 Funding. Grantor shall award funding to Grantee in an amount not to exceed \$ [REDACTED] (the "Grant") to complete the Milestones and Timeline. Grantee shall allocate the Grant according to the budget ("Budget") shown in Exhibit E. Disbursement of funds shall be subject to Grantee's compliance with all terms and conditions set forth in this Agreement. The obligation of Grantor to disburse funds to Grantee under this Article 3 is contingent upon Grantor having sufficient funds and expenditure authorization and authority under state or federal laws, regulations or guidelines to do so, as determined by Grantor.

3.2 Pre-Award Costs. Grantor shall not reimburse Grantee for expenditures made prior to the Effective Date without advance written approval of Grantor.

3.3 Allowable Costs. Costs allowable under the Grant are based on the Budget. Except as may be allowed pursuant to Section 3.2, allowable costs shall include costs incurred by Grantee from the Effective Date, until completion of the activities set forth in the Milestones and Timeline, expiration of the Grant Period, or notice of termination of this Agreement, whichever is earliest; in no event shall allowable costs exceed the amount of the Grant.

The following direct costs are allowable: personnel (including wages, benefits, stipends); equipment (where the unit cost of what constitutes an item of equipment is subject to Grantee's policies, but shall under no circumstances exceed \$5,000); supplies; travel; subcontracts; and other costs as itemized by Grantee and approved by Grantor.

Expenditures for the following are not allowable: costs not within the Budget, facilities construction and remodeling costs, costs associated with patient care beyond those required for performing the activities set forth in the Milestones

and Timeline, costs of purchasing or maintaining computers not essential for performing the activities set forth in the Milestones and Timeline, and indirect or overhead costs.

3.4 Unallocated Costs. In the event that the Budget includes funds for activities whose costs or nature cannot be accurately determined as of the Effective Date, Grantee shall not encumber such funds for expenditure without the advance written approval of Grantor. In seeking Grantor's approval, Grantee shall provide a detailed written description of how such funds are to be spent and the time period during which the expenditures are to be made.

3.5 Budget Modifications. Grantee shall seek the advance written approval of Grantor for expenditures that are not within the Budget or any changes to the Budget that directly impact the Milestones and Timeline. Such approval shall be requested in writing by Grantee's Authorized Official (as identified in Article 21). Monetary shifts of less than 5% of the amount within a category of the Budget, not to exceed \$5,000, may be made between categories without advance written approval of Grantor.

3.6 Payments. Grantor shall disburse the Grant to Grantee for performing the activities set forth in the Milestones and Timeline on a cost-reimbursement basis upon receipt of invoices submitted to and approved by Grantor. All payments shall be subject to Grantee's timely progress in achieving the goals set forth in the Milestones and Timeline, as determined by Grantor, and to Grantee's timely provision of progress reports to Grantor as described in Article 4 and Article 7, and annual financial reports as described in Section 3.7. Invoices shall be electronically submitted by Grantee using Grantor's online submission system, with a signed copy sent by mail or other means as specified in Article 21. Commencing on the Effective Date, invoices shall be submitted for continuous periods of not less than 30 days and not greater than 90 days, and shall be submitted no later than 60 days from the end of the invoice period. Invoices shall include expenditures within a single annual period of the Budget only. Invoices shall state the milestone(s) within the Milestones and Timeline against which costs have been incurred during the invoice period, shall itemize all allowable costs according to the categories within the Budget, and shall be signed by Grantee's Authorized Official certifying that all expenditures are directly related to performance of the activities set forth in the Milestones and Timeline and the Budget. At its sole discretion, Grantor may require detailed expenditure documentation as part of the reimbursement process. Grantor shall reimburse Grantee for all allowable costs incurred until completion of the activities set forth in the Milestones and Timeline, expiration of the Grant Period, or notice of termination of this Agreement, whichever is earliest, insofar as such allowable costs do not exceed the amount of the Grant. All payments shall be sent to Grantee via electronic funds transfer. Grantee shall complete and send a

Direct Deposit Authorization form and signed W-9 form to Grantor for payments to commence.

3.7 Annual Financial Reports. Grantee shall summarize expenditures during each annual period within the Budget in an annual financial report ("AFR") submitted to Grantor. The first AFR shall be due no later than 60 days after the end of the first annual period within the Budget; subsequent reports shall be due no later than 60 days after the end of each annual period within the Budget thereafter until completion of the activities set forth in the Milestones and Timeline, expiration of the Grant Period, or termination of this Agreement, whichever is earliest. AFRs shall include all expenditures made since the end of the previous annual reporting period. AFRs shall be signed by Grantee's Authorized Official certifying that all expenditures are directly related to performance of the activities set forth in the Milestones and Timeline and the Budget. Grantee's expenditures within the subsequent annual period within the Budget shall not be reimbursed by Grantor until the previous year's AFR has been submitted and approved by Grantor.

3.8 No-Cost Extensions. In the event that unexpended funds remain at the end of the Grant Period, and there are remaining milestones to be accomplished within the Milestones and Timeline, Grantee may request an extension of the Grant Period to allow Grantee to accomplish such milestones. Such requests shall be submitted in writing by Grantee's Authorized Official at least 60 days prior to the end of the Grant Period and shall include a justification for extension, an estimate of the unexpended funds remaining at the end of the Grant Period, and a revised Budget and Milestones and Timeline. The decision to grant an extension is subject to the sole discretion of Grantor, with such extension granted in a single annual increment.

3.9 Budget Surpluses. Should any unexpended funds remain within the Budget after Grantee has completed the activities set forth in the Milestones and Timeline ("Budget Surplus"), as solely determined by Grantor, Grantee may request that such Budget Surplus be allocated to support new activities. Such new activities shall be consistent with the nature and goals of the Proposal, and authority to spend a Budget Surplus on such activities shall require advance written approval of Grantor. Budget Surplus allocation requests shall be submitted in writing by Grantee's Authorized Official within 60 days of completing the activities set forth in the Milestones and Timeline, and shall include a detailed description of the activities to be performed utilizing the Budget Surplus, revised Milestones and Timeline, and a budget and a justification detailing how the Budget Surplus will be allocated. The final amount of such Budget Surplus shall be determined by Grantor upon Grantee's timely submission of invoices, and if applicable, the relevant AFR. Grantor reserves the right to refer Budget Surplus allocation requests for outside expert review, the

cost of which shall be deducted from the Budget Surplus. In the event that Grantor does not approve Grantee's request to spend a Budget Surplus, expenditure authority for such funds shall revert to Grantor.

3.10 Final Request for Reimbursement. Grantee shall submit a final request for reimbursement no later than 60 days after completion of the activities set forth in the Milestones and Timeline, expiration of the Grant Period, or termination of this Agreement, whichever is earliest. Failure to comply with this Section 3.10 may result in Grantor's refusal or inability to reimburse. Grantor shall not make the final payment until the proper invoice, marked "Final," has been approved by Grantor and a report regarding progress against the Milestones and Timeline has been received and approved by Grantor.

ARTICLE 4. PROGRESS REPORTS

4.1 Format and Schedule. Grantee shall provide to Grantor regular reports describing Grantee's progress on the activities set forth in the Milestones and Timeline. Grantee shall submit written progress reports to Grantor on a semi-annual basis and shall further provide Grantor with oral progress reports according to the format and schedule specified in the Milestones and Timeline. All reports shall be provided by the Principal Investigator and shall detail the activities of Grantee and Grantee's collaborators and service providers during the period covered by the report. The first written progress report shall be due six months after the Effective Date; subsequent written reports shall be due at six month intervals thereafter. Grantee shall submit a final written progress report to Grantor no later than 60 days after completion of the activities set forth in the Milestones and Timeline, expiration of the Grant Period, or termination of this Agreement, whichever is earliest. Payment of Grantee's invoices shall be predicated on Grantor's receipt and approval of Grantee's progress report for the most recent required period.

4.2 Method of Provision and Content. Written progress reports shall be submitted through Grantor's online progress report system; a blank form showing the progress report content is attached as Exhibit F. Grantor reserves the right to periodically change the content of written progress reports and Grantee shall submit such reports using Grantor's most current online form.

Oral progress reports shall be provided to Grantor using the method specified in the Milestones and Timeline. The content of such reports shall generally be the same as that found in Exhibit F.

All progress reports shall be of sufficient detail to allow Grantor to assess progress made on completing the activities set forth in the Milestones and Timeline and how such activities contribute to Grantor's mission. In the event

that a progress report lacks such detail, Grantee shall provide Grantor with additional detail in a timely manner as requested by Grantor. Grantee shall also disclose in writing to Grantor any problems, delays or adverse conditions which may materially affect its ability to complete the activities set forth in the Milestones and Timeline. Such disclosure shall be accompanied by a statement of the action taken or proposed and any assistance needed from Grantor to resolve the situation. Grantor shall hold all progress reports confidential, subject to the public disclosure laws of the state of Washington (See e.g., RCW 42.56.270(14)).

Upon the reasonable prior written request of Grantor and prior to expiration of the Grant Period, Grantee shall arrange site visits or in-person briefings at a mutually agreed upon time and place to enable Grantor to assess the impact of the activities set forth in the Milestones and Timeline.

4.3 Post-Award Progress Reports. Commencing on the first anniversary of submission of the final written progress report and for five years thereafter or through the Term (as defined in Section 13.1) of this Agreement, whichever is longer, Grantee shall provide Grantor with periodic progress reports regarding Grantee's post-award development and commercialization activities related to the Product, including any technology and intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, according to a mutually agreeable format and schedule. Such reports shall also include an update of Grantee's business plan for the Product, including that for any technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, and shall specify Grantee's full time equivalent employment levels in Washington state.

ARTICLE 5. ACCOUNTING AND AUDITING

5.1 Accounting. Grantee agrees to maintain books and records documenting the expenditure of the Grant in accordance with Generally Accepted Accounting Principles and will make such books and records relating to the Grant available to Grantor and its representatives for review, upon reasonable request, for a period of three years following expiration of the Grant Period. If there are unresolved audit questions at the end of such retention period, Grantee shall further retain such records until the questions are resolved. Grantor shall have the right to have any financial report or document related to the expenditure of the Grant reviewed by external consultants and may include external consultants in any meeting or teleconference with Grantee related to such financial records.

5.2 Audits. Grantor reserves the right at reasonable times and during normal business hours to audit Grantee's financial records related to the Grant, or have such records audited, during the Grant Period or for three years thereafter.

Grantor shall bear the expenses for such audit unless the audit reveals that funds were spent for purposes unrelated to the activities set forth in the Milestones and Timeline, as set forth in the Budget, in which case Grantee shall reimburse Grantor for such audit costs. If as a result of an audit Grantor reasonably concludes that funds were spent for purposes unrelated to the Milestones and Timeline, as set forth in the Budget, Grantor shall be entitled to a refund of such funds, including interest on the amount refunded. Grantee shall return such funds, including any applicable interest, to Grantor within 30 days of Grantor's written demand.

5.3 Fidelity Bond. During the Grant Period, Grantee shall ensure that each officer, director, or employee who is authorized to act on behalf of Grantee for the purpose of receiving or depositing funds into program accounts or issuing financial documents or other instruments of payment for program costs be bonded to provide protection against loss. Fidelity bonding secured pursuant to this Agreement shall name Grantor as a beneficiary and the amount of coverage shall be equal to no less than the Grant. At Grantor's request, Grantee shall provide copies of the bonding instruments or certifications from the bond issuing agency.

ARTICLE 6. INTELLECTUAL PROPERTY

6.1 Policies and Management. The Grant supports research and development to enhance competitiveness, improve health and health care and foster economic development in Washington state. Grantor and Grantee recognize that discoveries and developments having public health, scientific, business, or commercial application or value may be made in the course of performing the activities set forth in the Milestones and Timeline. Grantor and Grantee desire that such discoveries and developments be administered in such a manner that they are brought into public use at the earliest practical time in a manner consistent with Commercially Reasonable Efforts, where "Commercially Reasonable Efforts" are defined as the efforts and resources commonly applied by companies similarly situated to Grantee to product development and commercialization for the health, health care, or other life science market. Grantor and Grantee recognize that this may be best accomplished through patenting, copyrighting, trademarking and/or licensing such discoveries and developments. In accepting the Grant, Grantee warrants that it has policies in place regarding ownership and management of intellectual property. Grantee further warrants that it has expertise in commercialization of intellectual property, including evaluating invention disclosures, patenting and licensing, product development, pre-clinical and clinical testing, and seeking regulatory approval, or in the absence of such expertise, that it shall engage individuals or entities, acceptable to Grantor, having such expertise to assist it in such intellectual property commercialization activities.

6.2 Ownership and Disposition. Grantor claims no ownership rights in any technology or intellectual property conceived, reduced to practice or otherwise made in the course of performing the activities set forth in the Milestones and Timeline. Grantee agrees to use Commercially Reasonable Efforts to commercialize such technology or intellectual property.

ARTICLE 7. PAYMENTS TO GRANTOR

7.1 Payment Amount. As partial consideration for the Grant, Grantee shall make payments to Grantor based on the occurrence of certain events (each a "Triggering Event") according to the following schedule:

Triggering Event	Payment
Grantee maintains an active program to develop and/or commercialize the Product, or any other product derived from technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, and receives cumulative License Revenue greater than or equal to \$3,000,000, where "License Revenue" is defined as gross income received by Grantee from fees related to an option or license to make, use or sell the Product, or any technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, including but not limited to, milestone fees, royalties, sublicense income, and equity.	10% of all cumulative License Revenue greater than \$3,000,000 until the Full Payment Amount has been paid
Grantee receives Net Sales Revenue from sales of the Product, or any other product derived from technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, where "Net Sales Revenue" is defined as the total gross selling price of the Product, or any other product derived from technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, reduced by any applicable discount granted by Grantee to the buyer for early payment of the invoice, and by reductions resulting from merchandise actually returned from customers or from Grantee's reduction in the original sales price of the Product, or any other product derived from technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline.	3% of Net Sales Revenue until the Full Payment Amount has been paid
Grantee ceases to develop and/or commercialize the Product, or any other product derived from technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, and licenses, sells, donates, or	Full Payment Amount

otherwise transfers the rights to make, use or sell the Product, or any other product derived from technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, to a third party, where such license, sale, donation or other transfer is not part of a third party purchase, acquisition or merger of Grantee.	
A third party or a combination of third parties acquires a controlling interest in Grantee through acquisition, merger, consolidation, reorganization, or other transfer of shares or assets of Grantee.	Full Payment Amount
Grantee concludes an initial public stock offering.	Full Payment Amount
Grantee fails to maintain a substantial presence in Washington state.	Full Payment Amount
Grantor terminates this Agreement due to a Grantee Termination Event, or Grantee terminates this Agreement.	The amount disbursed to Grantee by Grantor prior to the effective date of termination, subject to the payment timing multiple described in this Section 7.1.

The Full Payment Amount shall be a multiple of the Grant, where such multiple is determined by the timing of the Triggering Event, according to the following:

When the Triggering Event occurs on or prior to the second anniversary of the Effective Date, the Full Payment Amount shall be 1.25 times the Grant, equivalent to \$XXX,XXX.

When the Triggering Event occurs subsequent to the second anniversary of the Effective Date, but on or prior to the third anniversary of the Effective Date, the Full Payment Amount shall be 1.5 times the Grant, equivalent to \$XXX,XXX.

When the Triggering Event occurs subsequent to the third anniversary of the Effective Date, but on or prior to the fourth anniversary of the

Effective Date, the Full Payment Amount shall be 2.0 times the Grant, equivalent to \$XXX,XXX.

When the Triggering Event occurs subsequent to the fourth anniversary of the Effective Date, but on or prior to the fifth anniversary of the Effective Date, the Full Payment Amount shall be 3.0 times the Grant, equivalent to \$XXX,XXX.

When the Triggering Event occurs subsequent to the fifth anniversary of the Effective Date, the Full Payment Amount shall be 4.0 times the Grant, equivalent to \$XXX,XXX.

In the event that Grantee has made partial payment toward the Full Payment Amount and a Triggering Event occurs that requires payment of the Full Payment Amount, Grantee shall pay only that portion of such required payment as is necessary to make Grantee's cumulative payments equivalent to the Full Payment Amount.

7.2 Reporting and Payment. Grantee shall make semi-annual written reports to Grantor related to the occurrence of Triggering Events. Such reports shall include a statement of whether or not each Triggering Event has occurred during the reporting period, cumulative License Revenue and Net Sales Revenue received by Grantee as of the end of the reporting period, and cumulative payments made by Grantee to Grantor toward the Full Payment Amount. In the event that a Triggering Event has occurred during the reporting period, Grantee shall make the applicable payment due to Grantor contemporaneously with submission of such report. All payments to be made by Grantee to Grantor hereunder shall be made by wire transfer of immediately available funds to the account designated by Grantor.

The first semi-annual written report shall be due within 30 days of the six month anniversary of the Effective Date with subsequent reports due within 30 days of each six month interval thereafter until such time as Grantee's obligation to make Triggering Event payments to Grantor has ceased.

ARTICLE 8. CONFLICT OF INTEREST

In the event that a portion of the activities set forth in the Milestones and Timeline is performed by a non-profit or educational organization, Grantee shall ensure that such entity has a financial conflict of interest policy in place applicable to performing such activities and that such organization has taken reasonable steps to inform all personnel performing such activities of the policy and requirements for complying with its terms. Grantee shall require each such organization to complete and execute the Conflict of Interest Report Form

found in Exhibit G stating any potential financial conflicts of interest associated with personnel performing the activities set forth in the Milestones and Timeline; attesting to that organization's receipt of disclosures from such personnel that, at a minimum, confirm understandings of Grantor as stated in Exhibit G; and assuring that all disclosed potential conflicts of interest have been eliminated or mitigated. In the event that new financial conflicts of interest are disclosed during the course of performing activities under the Milestones and Timeline, Grantee shall report such disclosures in writing to Grantor in a timely manner using the procedure specified within this Article 8.

Upon the request of Grantor, Grantee shall provide, or cause each such organization to provide, in writing, information about any financial conflicts of interest that have been disclosed subject to this Article 8, or that have been identified by Grantor in Exhibit G, and about how such disclosed or identified conflicts have been eliminated or mitigated.

ARTICLE 9. WASHINGTON PRESENCE

As partial consideration for the Grant, Grantee shall maintain a substantial presence in Washington state during the Grant Period and for three years thereafter. Such substantial presence shall be determined by Grantor, who in making such determination, shall weigh a variety of factors, including, but not limited to: levels of Grantee's full time equivalent employees who are residents of Washington and their compensation, each relative to Grantee's other sites; location of Grantee's research and development, administrative, or manufacturing facilities; payment of Washington Business and Occupation or other taxes; or any combination of such factors.

ARTICLE 10. PRESENTATIONS AND PUBLICATIONS BY GRANTEE

The parties recognize that the results from performance of the activities set forth in the Milestones and Timeline may be publishable and agree that the persons performing such activities shall be permitted to present the methods and results at symposia and professional meetings and to publish in journals, theses or dissertations, or otherwise, in a manner of their own choosing. Following any such publication, copies shall be submitted by Grantee to Grantor. Grantee agrees to acknowledge the support of Grantor in all public disclosures related to the activities set forth in the Milestones and Timeline.

ARTICLE 11. REPRESENTATIONS OF GRANTEE AUTHORITY AND STATUS

11.1 In accepting the Grant, Grantee makes the following representations and warranties:

(a) Grantee is a **corporation/partnership/etc.** duly organized, validly existing, and in good standing under the laws of the state of **_____**;

(b) Grantee has reported to Grantor, in writing, all material adverse changes in the business, assets, operations, access to intellectual property, or financial conditions of Grantee, or in matters described in the Proposal pertaining to the activities set forth in the Milestones and Timeline since Grantee's submission of the Proposal;

(c) Grantee has authority to enter into this Agreement and to incur and perform the obligations herein and the signatories to this Agreement are authorized to execute this Agreement on behalf of Grantee;

(d) The execution, delivery and performance of this Agreement by Grantee does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it is bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it;

(e) To the best of its knowledge, Grantee is not aware that it has infringed any patent, copyright, trademark, trade secret or other intellectual property right of any third party in the development of the Product; and

(f) The Principal Investigator or other individuals performing the activities set forth in the Milestones and Timeline are not currently debarred, declared ineligible, or voluntarily excluded from participation in transactions by any federal department or agency, including, but not limited to the U.S. Food and Drug Administration ("FDA"), or under any federal statute or regulation, including, but not limited to the provisions of the Generic Drug Enforcement Act of 1992, 21 U.S.C.; and are not otherwise currently subject to restrictions or sanctions by any other governmental agency or professional body with respect to the performance of scientific or clinical investigations; and are not currently otherwise disqualified or suspended from performing activities substantially the same as those set forth in the Milestones and Timeline.

ARTICLE 12. USE OF HUMAN SUBJECTS AND VERTEBRATE ANIMALS

12.1 Human Subjects. In the event that activities set forth in the Milestones and Timeline involve the use of human subjects, Grantee shall ensure that the research site operates under an appropriate Office of Human Research Protections (OHRP)-approved assurance for the protection of human subjects and complies with all Department of Health and Human Services human subjects-related policies and any other applicable laws or regulations. In accepting a Grant involving human subjects use in activities set forth in the

Milestones and Timeline, Grantee warrants that such activities have been reviewed and approved, or will be reviewed and approved as specified within the Milestones and Timeline, by the appropriate human subjects oversight bodies as compliant with federal, state, and local government regulations to protect the rights, well-being, and personal privacy of human subjects in research. Grantee shall provide documentation of review and approval by the applicable oversight bodies of all human subjects activities set forth in the Milestones and Timeline prior to commencing such activities.

12.2 Vertebrate Animals. In the event that activities set forth in the Milestones and Timeline involve the use of vertebrate animals, Grantee shall ensure that all performance sites hold Office of Laboratory Animal Welfare (OLAW)-approved assurances. In accepting a Grant involving vertebrate animal use in activities set forth in the Milestones and Timeline, Grantee warrants that such activities have been reviewed and approved, or will be reviewed and approved as specified within the Milestones and Timeline, by the appropriate animal use and care oversight bodies as compliant with federal, state, and local government regulations to humanely, efficiently, effectively and legally use live vertebrate animals in research. Grantee shall provide documentation of review and approval by the applicable oversight bodies of all vertebrate animal activities set forth in the Milestones and Timeline as specified within the Milestones and Timeline prior to commencing such activities.

12.3 Use and Approval. At execution of this Agreement, Grantee shall provide the completed Human Subjects and Vertebrate Animal Use Form found in Exhibit H, signifying whether the activities set forth in the Milestones and Timeline involve the use of vertebrate animals and human subjects, and if so, the status of review and approval by the applicable oversight bodies.

ARTICLE 13. TERM AND TERMINATION

13.1 Term. This Agreement shall commence on the Effective Date and shall remain in effect until such time as Grantee's obligation to make Triggering Event payments to Grantor has ceased ("Term").

13.2 Termination by Grantor. Grantor shall have the right to terminate this Agreement upon the occurrence of any one or more of the following events, with Sections 13.1(c) – (o), each referred to herein as a "Grantee Termination Event":

- (a) failure of Grantor to receive sufficient funds or expenditure authorization to meet its payment obligations under this Agreement; or

- (b) Grantor's lack of authority to provide funding for the activities set forth in the Milestones and Timeline due to modification, change or interpretation of state or federal laws, regulations or guidelines; or
- (c) Grantee's termination of the activities set forth in the Milestones and Timeline; or
- (d) failure of Grantee to meet the goals set out within the Milestones and Timeline in a timely manner; or
- (e) failure of Grantee to render progress reports, financial reports, or Triggering Event reports to Grantor as required by this Agreement; or
- (f) Principal Investigator or other participants performing the activities set forth in the Milestones and Timeline (a) have been debarred, declared ineligible, or voluntarily excluded from participation in transactions by any federal department or agency, including, but not limited to the U.S. Food and Drug Administration ("FDA"), or under any federal statute or regulation, including, but not limited to the provisions of the Generic Drug Enforcement Act of 1992, 21 U.S.C.; or (b) have otherwise been subject to restrictions or sanctions by any other governmental agency or professional body with respect to the performance of scientific or clinical investigations; or (c) have otherwise been disqualified or suspended from performing activities substantially the same as those set forth in the Milestones and Timeline; or
- (g) in the case of the replacement of the Principal Investigator or a member of the Key Personnel, failure of Grantee to identify an alternate acceptable to Grantor; or
- (h) the insolvency of Grantee; or
- (i) any assignment by Grantee of substantially all of its assets for the benefit of creditors; or
- (j) the institution of any proceeding by Grantee or a third party under any reorganization, bankruptcy, insolvency, or moratorium law; or
- (k) placement of Grantee's assets in the hands of a trustee or a receiver unless the receivership or trust is dissolved within 30 days thereafter; or
- (l) Grantee fails to maintain a substantial presence in Washington state; or
- (m) failure of Grantee to comply with federal or state law applicable to the activities set forth in the Milestones and Timeline; or
- (n) failure of Grantee to make equipment purchased or leased with funds disbursed pursuant to this Agreement available for the activities set forth in the Milestones and Timeline; or
- (o) Grantee's breach of any other material term or condition of this Agreement.

13.3 Exercise. Grantor may terminate this Agreement by giving Grantee or Grantee's trustees, receivers, or assigns, 30 days advance written notice. Upon the expiration of such period, this Agreement shall automatically terminate unless Grantee reports in writing that it has cured each applicable Grantee Termination Event and Grantor has acknowledged that it accepts the cure. Upon notice by Grantor to Grantee of termination under a Grantee Termination Event, no request for reimbursement shall be made hereunder for any expenses incurred by Grantee on or after the date of such notice until such event has been cured, provided that nothing herein shall be construed to release Grantor from any obligation to reimburse Grantee for allowable costs incurred prior to the date of such notice even if reimbursement is not sought until after the date of such notice. In the event that Grantee fails to cure a Grantee Termination Event within the applicable cure period, Grantor shall not be required to reimburse Grantee for expenses incurred by Grantee during such cure period.

13.4 Termination by Grantee. Grantee may terminate this Agreement at its sole discretion during the Grant Period upon two months advance written notice to Grantor. If this Agreement is so terminated, Grantor shall be liable only for payment required under the terms of this Agreement for performance of the activities set forth in the Milestones and Timeline prior to the date of notice of termination. In the event of Grantee's termination of this Agreement, Grantor shall be entitled to take title and possession of any equipment valued at greater than \$5,000 purchased under the Grant.

13.5 Effects. Upon termination of this Agreement, Grantor shall have no further obligation to disburse grant funds to Grantee, whether or not the entire amount of the Grant has been disbursed to Grantee, and Grantee's authority to expend previously disbursed grant funds shall end. In the event that this Agreement is terminated for any reason whatsoever, and no later than 60 days after the effective date of termination:

- (a) Grantee shall promptly return any unexpended funds, including interest, to Grantor; and
- (b) Grantee shall refund to Grantor any funds spent for purposes other than the activities set forth in the Milestones and Timeline and the Budget; and
- (c) Upon Grantor's request, Grantee shall transfer title to Grantor for all equipment valued at greater than \$5,000 purchased under the Grant; and
- (d) Grantee shall invoice Grantor for outstanding expenditures and/or any reasonable non-cancellable obligations incurred by Grantee and to which Grantee is entitled reimbursement under the

- applicable section of this Agreement for activities performed as set forth in the Milestones and Timeline; and
- (e) Grantee shall provide Grantor, in writing, with a final report of the activities performed in attempting to meet the Milestones and Timeline and a final financial report; and
 - (f) Grantee shall provide Grantor, in writing, with a final Triggering Event report, per Section 7.2 of this Agreement and pay any applicable Triggering Event payment due to Grantor under Section 7.1 of this Agreement.

Nothing herein shall be construed to release Grantee from any obligation which matured prior to the effective date of such termination or to waive any rights Grantor may have to recover damages incurred by it as a result of Grantee's breach of the Agreement.

13.6 Survival. All terms and provisions of this Agreement which by their nature are intended to be observed and performed after the expiration or termination of this Agreement shall survive such expiration or termination, and shall continue in full force and effect. Without limiting the generality of the foregoing, the following provisions of this Agreement shall survive any expiration or termination: Article 4, Progress Reports; Article 5, Accounting and Auditing; Article 7, Payments to Grantor; Article 9, Washington Presence; Article 10, Presentations and Publications by Grantee; Article 13, Termination; Article 14, Public Disclosures by Grantor and Use of Names; Article 15, Indemnification and Insurance; Article 16, Failure to Enforce; Article 17, Relationship of the Parties; Article 18, Governing Law; Article 19, Assignment; Article 20, No Oral Modifications; Article 21, Notices; Article 22, Entire Agreement; Article 23, Force Majeure; Article 24, Severability; Article 25, Disputes; and Article 26, No Third Party Beneficiaries.

ARTICLE 14. PUBLIC DISCLOSURES BY GRANTOR AND USE OF NAMES

Grantor reserves the right to publicly disseminate information about Grantee's activities as set forth in the Milestones and Timeline. Grantor shall not publicly disclose such information without the advance approval of the Principal Investigator, such approval not to be unreasonably withheld if such information has not been previously disclosed to the public. From time to time Grantor may request Grantee or Principal Investigator to assist Grantor with such communications and public disclosures pertaining to the activities set forth in the Milestones and Timeline. Such assistance provided by Grantee or Principal Investigator shall be at reasonable times and locales and at Grantor's expense.

Except as provided in this Agreement, neither party shall use the name of the other party, its trademarks, service marks, logos, or the name of any employee

or agent, for any press release, marketing, advertising, public relations, clinical recruitment, or other purposes without the prior written consent of the other party. Notwithstanding the foregoing, Grantor may use the name of Grantee, disclose the existence of this Agreement, and include a general description of the nature of the activities conducted under the Milestones and Timeline in any descriptions of its research portfolio, fundraising activities, and its reporting requirements.

ARTICLE 15. INDEMNIFICATION AND INSURANCE

15.1. Indemnification. Grantee agrees to indemnify, hold harmless and defend, Grantor (including its affiliated entities) and its directors, officers, representatives, employees and agents and their respective successors, heirs and assigns (each an "Indemnitee") from and against any and all third party claims, losses, expenses, demands, suits, liability or damage for personal injury, property damage or otherwise, including reasonable attorneys' fees, (collectively "Claims"), arising directly or indirectly from, relating to, or resulting from (a) the activities set forth in the Milestones and Timeline, including research and development undertaken by one or more investigators, subcontractors, or service providers, (b) any Product, or any other product derived from technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, developed in whole or in part from such activities, (c) any claim of infringement or misappropriation of intellectual property relating to the activities set forth in the Milestones and Timeline, (d) any material breach of its representations, warranties, covenants or obligations under this Agreement, and (e) the conduct of Grantee's business or operations outside of the activities set forth in the Milestones and Timeline during the Grant Period.

Notwithstanding the foregoing, Grantee shall have no obligations pursuant to this Agreement to defend or indemnify any Indemnitee from any liability, loss, damage or expense to the extent it arises from the Indemnitee's (a) negligence or willful misconduct, (b) any material breach of Grantor's representations, warranties, covenants or obligations under this Agreement, and (c) the conduct of the Indemnitee's business or operations outside of the activities set forth in the Milestones and Timeline during the Grant Period.

15.2. Indemnification Procedures.

15.2.1. In the case of any Claim asserted against an Indemnitee, such Indemnitee shall (i) notify Grantee in writing as soon as it becomes aware of any Claim and shall permit Grantee (at the expense of Grantee) to assume defense of any Claim and (ii) cooperate fully with the legal representative chosen by Grantee, who shall be reasonably satisfactory to Indemnitee, provided that the

failure of any Indemnitee to give notice as provided herein shall not relieve Grantee of its indemnification obligation hereunder except to the extent that such failure results in a lack of actual notice to Grantee and Grantee is materially prejudiced as a result of such failure to give notice.

15.2.2. Except with the prior written consent of the Indemnitee, Grantee shall not consent to entry of any judgment or enter into any settlement that provides for injunctive or other non-monetary relief affecting the Indemnitee or that does not include as an unconditional term thereof the giving by each claimant or plaintiff to such Indemnitee of a release from all liability with respect to such Claim.

15.2.3. If the Indemnitee in good faith determines that the conduct of the defense of any Claim subject to indemnification under this Agreement or any proposed settlement of any such Claim by Grantee might be expected to affect adversely the Indemnitee's tax status, reputation, the ability of the Indemnitee to conduct its business or fulfill its mission, the Indemnitee shall have the right at all times to take over and assume control over the defense, settlement, negotiations or litigation relating to that portion of the Claim at the sole cost of Grantee, provided that if the Indemnitee does so take over and assume control, the Indemnitee may not settle such Claim without the written consent of Grantee, such consent not to be unreasonably withheld.

15.3. Insurance. Grantee shall maintain commercial general liability insurance or business insurance, including coverage for bodily injury, property damage, and contractual liability, with a minimum limit of each occurrence of \$1,000,000 and a general aggregate of \$2,000,000. The policy shall include liability arising out of premises, operations, independent contractors, personal injury, advertising injury, and liability under an insured contract. The Grantee shall also maintain professional liability insurance including coverage for Products, or any other products derived from technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline and for completed operations, with a minimum limit of each occurrence of \$1,000,000 and a general aggregate of \$2,000,000. Grantor shall be named as an additional insured for such commercial general liability or business coverage.

15.4. Limitation on Liability. It is agreed by the parties that neither party shall have a right to or shall claim special, indirect or consequential damages, including lost profits, for breach of this Agreement.

ARTICLE 16. FAILURE TO ENFORCE

The failure of Grantor at any time, or for any period of time, to enforce any of the provisions of this Agreement shall not be construed as a waiver of such

provisions or as a waiver of the right of Grantor thereafter to enforce each and every such provision.

ARTICLE 17. RELATIONSHIP OF THE PARTIES

The relationship of the parties is that of independent contractors. Nothing herein is intended or shall be construed to establish any agency, partnership, or joint venture. Neither party is authorized or empowered to act as an agent for the other party for any purpose and neither party shall be bound by the acts or conduct of the other party. Nothing in this Agreement shall restrict Grantor from funding other research and development efforts, including without limitation efforts by other researchers, companies or entities that fall within the scope of the Product, any other product derived from technology or intellectual property created by Grantee in performing the activities set forth in the Milestones and Timeline, or the activities set forth in the Milestones and Timeline.

ARTICLE 18. GOVERNING LAW

This Agreement shall be governed and construed in accordance with the laws of the state of Washington.

ARTICLE 19. ASSIGNMENT

This Agreement shall not be assigned by Grantee to any individual or entity, whether related or unrelated to Grantee, without the advance written consent of Grantor. Upon the advance written consent of Grantor, Grantee may assign this Agreement to a purchaser or acquirer in connection with the merger, consolidation, reorganization, or other transfer of shares or assets of Grantee, provided that Grantee shall assign this Agreement and its obligations and rights hereunder to the purchaser or acquirer, and such purchaser or acquirer shall accept such rights and assume such obligations, in connection therewith.

Grantor may assign this Agreement subject to authorization by statutory amendment or its Board of Trustees. Upon such assignment, Grantor's assignee shall accept all rights and assume all obligations herein.

ARTICLE 20. NO ORAL MODIFICATIONS

This Agreement may not be changed, modified or amended except by express written agreement of the parties executed by their authorized representatives.

ARTICLE 21. NOTICES

Except as otherwise expressly provided in this Agreement, any communications between the parties hereto or notices to be given hereunder shall be given in writing by personal delivery, electronic transmission using electronic mail or Grantor's online systems, facsimile, or mailing the same, postage prepaid to Grantee or Grantor at the address or number set forth below, or to such other addresses or numbers as either party may indicate pursuant to this section. Any communication or notice so addressed and mailed shall be effective five days after mailing. Any communication or notice delivered by facsimile shall be effective on the day the transmitting machine generates a receipt of the successful transmission, if transmission was during normal business hours of the recipient, or the next business day, if transmission was outside normal business hours of the recipient. Any communication or notice given by personal delivery shall be effective when actually delivered. Communications by Grantee to Grantor using Grantor's online systems as required under this Agreement shall be effective upon Grantee's receipt of confirmation that such communications have been received by Grantor. Communications by electronic mail shall be effective upon the sender's receipt of confirmation from the recipient that such communications have been received.

Notices to Grantor

Grants Manager
Life Sciences Discovery Fund
1551 Eastlake Avenue East, Suite 325
Seattle, WA 98102
Tel: 206-456-9577
Fax: 206-456-9578
Email: grantsadmin@lsdfa.org

Notices to Principal Investigator

Name:
Title:
Organization:
Address:
Tel:
Fax:
Email:

Notices to Grantee: Authorized Official

Name:
Title:
Organization:
Address:
Tel:
Fax:

Email:

Notices to Grantee: Financial Official

Name:

Title:

Organization:

Address:

Tel:

Fax:

Email:

ARTICLE 22. ENTIRE AGREEMENT

This Agreement and the Exhibits attached hereto express the entire understanding of the parties with reference to the subject matter hereof, and supersede any prior or contemporaneous representations, understandings and agreements, whether oral or written. The parties agree and acknowledge that the rule of construction that ambiguities in a written agreement be construed against its drafter shall not be applicable to this Agreement.

ARTICLE 23. FORCE MAJEURE

Neither Grantor nor Grantee shall be held responsible for delay or default caused by fire, civil unrest, natural causes and war which is beyond, respectively, Grantor's or Grantee's reasonable control. Each party shall, however, make all reasonable efforts to remove or eliminate such cause of delay or default and shall, upon cessation of the cause, diligently pursue performance of its obligations under this Agreement.

ARTICLE 24. SEVERABILITY

The provisions of this Agreement are intended to be severable. If any term or provision is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Agreement.

ARTICLE 25. DISPUTES

The parties agree that, in the event of any dispute, controversy or claim (each, a "Dispute") arising out of or relating to this Agreement they shall undertake good faith efforts to resolve the matter amicably. Upon the agreement of the parties, any such Dispute may thereafter be submitted to mediation. Should the parties agree to mediate the Dispute, said mediation shall be conducted in Seattle, Washington and in accordance with the then prevailing rules of the Commercial Mediation Rules of the American Arbitration Association. In the

event that the Dispute is not resolved pursuant to mediation or, in the event the parties do not agree upon submission of the Dispute to mediation, each party may pursue any rights and remedies as each may have, whether in law or at equity.

ARTICLE 26. NO THIRD PARTY BENEFICIARIES

Grantor and Grantee are the only parties to this Agreement and the only parties entitled to enforce its terms. The parties agree that Grantee's performance under this Agreement is solely for the benefit of Grantor to enable it to accomplish its fundamental governmental purpose. Nothing in this Agreement is intended to give, or shall give, whether directly or indirectly, any third party standing to sue to enforce this agreement.

NOW, THEREFORE, agreement to the terms stated above is indicated by signatures affixed below.

Grantee

Grantor

By: _____

By: _____

Name: _____

Name: Lee Huntsman

Title: _____

Title: Executive Director, LSDF

Date: _____

Date: _____

Principal Investigator

I have read and understand the terms of this Agreement.

By: _____

Name: _____

Title: _____

Date: _____

Exhibit A: Proposal

(insert any relevant notes concerning proposal corrections or revisions which occurred between final submission in CG and final award by LSDF BOT).

Exhibit B: Milestones and Timeline

Attached.

Exhibit C: Key Personnel

To be completed by LSDF Program Officer and as advised by review panel.

Exhibit D: List of Collaborators and Service Providers

These should be organizations and consultants, with subcontractors differentiated from non-subcontractors.

Exhibit E: Budget

Attached.

Exhibit F: Progress Report Form Content

Attached is the template for submitting progress reports to LSDF via its online progress report system.

Exhibit G: Conflict of Interest Report Form

The capitalized terms used within this Exhibit H are as defined in the Life Sciences Discovery Fund 2012 PreCede Grant Award Agreement to which it is appended.

[To be deleted if LSDF brings no understandings forward.] Regarding the activities set forth in the Milestones and Timeline to be performed by [Organization name], Grantor has the following understandings that Grantor believes raise the potential for a conflict of interest to exist between the personal interests of personnel performing such activities and their responsibilities to their employer under this Agreement:

In executing this Conflict of Interest Report Form, [Organization name] represents and warrants that it has a financial conflict of interest policy in place applicable to the activities set forth in the Milestones and Timeline to be performed by [Organization name], and that it has taken reasonable steps to inform all personnel performing such activities of the policy and requirements for complying with its terms. In accepting this award, [Organization name] represents that it has advised the personnel performing such activities that they are required to disclose, in accordance with the foregoing policy, any potential financial conflicts of interest associated with their participation such activities.

The following individuals have disclosed a financial conflict of interest. [Organization name] attests that in compliance with its conflict of interest policies it has reviewed all such disclosures and that all disclosed conflicts of interest associated with [Organization name] performance of the activities set forth in the Milestones and Timeline including, but not limited to those associated with Grantor's understandings stated above, have been eliminated or mitigated as follows:

Name: Conflict eliminated __ Conflict mitigated __
Name: Conflict eliminated __ Conflict mitigated __

If no disclosures were made regarding [Organization name] performance of the activities set forth in the Milestones and Timeline please initial below:

__ No financial conflicts of interest associated with [Organization name] performance of the activities set forth in the Milestones and Timeline were disclosed to [Organization name].

Attested to by:
Organization Name: _____
Signature: _____
Name: _____
Title: _____
Date: _____

