

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2020

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38470

**Unity Biotechnology, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
  
**285 East Grand Ave.**  
**South San Francisco, CA**  
(Address of principal executive offices)

**26-4726035**  
(I.R.S. Employer  
Identification No.)

**94080**  
(Zip Code)

**Registrant's telephone number, including area code: (650) 416-1192**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001	UBX	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 30, 2020, the registrant had 52,913,180 shares of common stock outstanding.

**UNITY BIOTECHNOLOGY, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

**Unity Biotechnology, Inc.**  
**Condensed Balance Sheets**  
(In thousands, except for share amounts and par value)

	September 30, 2020 (Unaudited)	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 48,581	\$ 37,473
Short-term marketable securities	83,633	84,508
Strategic investment	—	5,507
Prepaid expenses and other current assets	3,476	1,999
<b>Total current assets</b>	<b>135,690</b>	<b>129,487</b>
Property and equipment, net	13,503	16,636
Operating lease right of use asset	24,330	—
Long-term marketable securities	—	3,025
Restricted cash	1,446	1,446
Other long-term assets	2	627
<b>Total assets</b>	<b>\$ 174,971</b>	<b>\$ 151,221</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 4,255	\$ 5,185
Accrued compensation	5,730	5,905
Accrued and other current liabilities	6,940	4,995
Contingent consideration liability	—	1,131
<b>Total current liabilities</b>	<b>16,925</b>	<b>17,216</b>
Operating lease liability, net of current portion	35,632	—
Deferred rent, net of current portion	—	13,298
Long-term debt, net	24,313	—
<b>Total liabilities</b>	<b>76,870</b>	<b>30,514</b>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Convertible preferred stock, \$0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.0001 par value; 300,000,000 shares authorized as of September 30, 2020 and December 31, 2019; 52,883,169 and 47,227,065 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	5	5
Additional paid-in capital	417,952	366,695
Related party promissory notes for purchase of common stock	(210)	(210)
Employee promissory notes for purchase of common stock	—	(418)
Accumulated other comprehensive income	66	90
Accumulated deficit	(319,712)	(245,455)
<b>Total stockholders' equity</b>	<b>98,101</b>	<b>120,707</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 174,971</b>	<b>\$ 151,221</b>

See accompanying notes to the condensed financial statements.

**Unity Biotechnology, Inc.**  
**Condensed Statements of Operations and Comprehensive Loss**  
(In thousands, except share and per share amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating expenses:				
Research and development	\$ 18,830	\$ 17,777	\$ 54,218	\$ 52,750
General and administrative	6,530	5,692	18,803	15,139
Change in fair value of contingent consideration	(718)	(1,115)	(33)	(1,327)
Impairment of long-lived assets	—	—	2,159	—
Total operating expenses	<u>24,642</u>	<u>22,354</u>	<u>75,147</u>	<u>66,562</u>
Loss from operations	(24,642)	(22,354)	(75,147)	(66,562)
Interest income	226	756	1,093	2,663
Interest expense	(499)	—	(499)	—
Other income (expense), net	(2,637)	(112)	296	(251)
Net loss	<u>(27,552)</u>	<u>(21,710)</u>	<u>(74,257)</u>	<u>(64,150)</u>
Other comprehensive loss				
Unrealized gain (loss) on marketable debt securities	(166)	(18)	(24)	190
Comprehensive loss	<u>\$ (27,718)</u>	<u>\$ (21,728)</u>	<u>\$ (74,281)</u>	<u>\$ (63,960)</u>
Net loss per share, basic and diluted	<u>\$ (0.52)</u>	<u>\$ (0.51)</u>	<u>\$ (1.49)</u>	<u>\$ (1.51)</u>
Weighted-average number of shares used in computing net loss per share, basic and diluted	<u>52,482,200</u>	<u>42,965,945</u>	<u>49,926,396</u>	<u>42,584,835</u>

See accompanying notes to the condensed financial statements.

**Unity Biotechnology, Inc.**  
**Condensed Statements of Stockholders' Equity**  
(In thousands, except share amounts)  
(Unaudited)

For the Nine Months Ended September 30, 2020

	Common Stock		Additional Paid-In Capital	Related Party Promissory Notes for Purchase of Common Stock	Employee Promissory Notes for Purchase of Common Stock	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount						
<b>Balances at December 31, 2019</b>	<u>47,227,065</u>	<u>\$ 5</u>	<u>\$ 366,695</u>	<u>\$ (210)</u>	<u>\$ (418)</u>	<u>\$ 90</u>	<u>\$ (245,455)</u>	<u>\$ 120,707</u>
Issuance of common stock, net of issuance costs, under at-the-market ("ATM") equity offering program	1,513,840	—	8,763	—	—	—	—	8,763
Issuance of common stock upon exercise of stock options	73,049	—	249	—	—	—	—	249
Vesting of early exercised stock options	—	—	40	—	—	—	—	40
Stock-based compensation	—	—	3,225	—	—	—	—	3,225
Common stock issued for services	43,550	—	100	—	—	—	—	100
Change in unrealized gain on available-for-sale marketable debt securities	—	—	—	—	—	283	—	283
Net loss	—	—	—	—	—	—	(28,038)	(28,038)
<b>Balances at March 31, 2020</b>	<u>48,857,504</u>	<u>\$ 5</u>	<u>\$ 379,072</u>	<u>\$ (210)</u>	<u>\$ (418)</u>	<u>\$ 373</u>	<u>\$ (273,493)</u>	<u>\$ 105,329</u>
Issuance of common stock, net of issuance costs, under ATM equity offering program	2,594,030	—	20,731	—	—	—	—	20,731
Issuance of common stock upon exercise of stock options	105,142	—	355	—	—	—	—	355
Issuance of common stock from restricted stock units	103,020	—	—	—	—	—	—	—
Vesting of early exercised stock options	—	—	132	—	—	—	—	132
Stock-based compensation	—	—	4,079	—	—	—	—	4,079
Issuance of common stock under employee stock purchase plan ("2018 ESPP")	69,815	—	385	—	—	—	—	385
Repayment of promissory note from employee from purchase of common stock	—	—	—	—	56	—	—	56
Change in unrealized loss on available-for-sale marketable debt securities	—	—	—	—	—	(141)	—	(141)
Net loss	—	—	—	—	—	—	(18,667)	(18,667)
<b>Balances at June 30, 2020</b>	<u>51,729,511</u>	<u>\$ 5</u>	<u>\$ 404,754</u>	<u>\$ (210)</u>	<u>\$ (362)</u>	<u>\$ 232</u>	<u>\$ (292,160)</u>	<u>\$ 112,259</u>
Issuance of common stock, net of issuance costs, under ATM equity offering program	894,387	—	7,776	—	—	—	—	7,776
Issuance of common stock upon exercise of stock options	138,846	—	582	—	—	—	—	582
Stock-based compensation	—	—	3,742	—	—	—	—	3,742
Issuance of common stock in settlement of contingent consideration milestone	133,334	—	1,098	—	—	—	—	1,098
Repayment of promissory note from employee from purchase of common stock	—	—	—	—	318	—	—	318
Repayment of promissory note from employee through repurchase of early exercise shares	(12,909)	—	—	—	44	—	—	44
Change in unrealized loss on available-for-sale marketable debt securities	—	—	—	—	—	(166)	—	(166)
Net loss	—	—	—	—	—	—	(27,552)	(27,552)
<b>Balances at September 30, 2020</b>	<u>52,883,169</u>	<u>\$ 5</u>	<u>\$ 417,952</u>	<u>\$ (210)</u>	<u>\$ —</u>	<u>\$ 66</u>	<u>\$ (319,712)</u>	<u>\$ 98,101</u>

For the Nine Months Ended September 30, 2019

	Common Stock		Additional Paid-In Capital	Related Party Promissory Notes for Purchase of Common Stock	Employee Promissory Notes for Purchase of Common Stock	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount						
<b>Balances at December 31, 2018</b>	<b>42,414,294</b>	<b>\$ 4</b>	<b>\$ 324,663</b>	<b>\$ (201)</b>	<b>\$ (400)</b>	<b>\$ (95)</b>	<b>\$ (163,278)</b>	<b>\$ 160,693</b>
Issuance of common stock upon exercise of stock options	340,731	—	300	—	—	—	—	300
Vesting of early exercised stock options	—	—	207	—	—	—	—	207
Stock-based compensation	—	—	1,997	—	—	—	—	1,997
Common stock issued to third parties	133,334	—	2,059	—	—	—	—	2,059
Change in unrealized gain on available-for-sale marketable debt securities, net of tax	—	—	—	—	—	114	—	114
Net loss	—	—	—	—	—	—	(18,767)	(18,767)
<b>Balances at March 31, 2019</b>	<b>42,888,359</b>	<b>\$ 4</b>	<b>\$ 329,226</b>	<b>\$ (201)</b>	<b>\$ (400)</b>	<b>\$ 19</b>	<b>\$ (182,045)</b>	<b>\$ 146,603</b>
Issuance of common stock upon exercise of stock options	147,832	—	494	—	—	—	—	494
Vesting of early exercised stock options	—	—	218	—	—	—	—	218
Stock-based compensation	—	—	1,944	—	—	—	—	1,944
Repurchased shares	(3,793)	—	—	—	—	—	—	—
Issuance of common stock under 2018 ESPP	51,201	—	405	—	—	—	—	405
Common stock issued to third party for a license	120,000	—	965	—	—	—	—	965
Change in unrealized gain on available-for-sale marketable debt securities, net of tax	—	—	—	—	—	94	—	94
Net loss	—	—	—	—	—	—	(23,673)	(23,673)
<b>Balances at June 30, 2019</b>	<b>43,203,599</b>	<b>\$ 4</b>	<b>\$ 333,252</b>	<b>\$ (201)</b>	<b>\$ (400)</b>	<b>\$ 113</b>	<b>\$ (205,718)</b>	<b>\$ 127,050</b>
Issuance of common stock, net of issuance costs, under ATM equity offering program	874,643	—	5,398	—	—	—	—	5,398
Issuance of common stock upon exercise of stock options	10,584	—	25	—	—	—	—	25
Vesting of early exercised stock options	—	—	149	—	—	—	—	149
Stock-based compensation	—	—	3,823	—	—	—	—	3,823
Repurchased shares	(488)	—	—	—	—	—	—	—
Change in unrealized loss on available-for-sale marketable debt securities, net of tax	—	—	—	—	—	(18)	—	(18)
Net loss	—	—	—	—	—	—	(21,710)	(21,710)
<b>Balances at September 30, 2019</b>	<b>44,088,338</b>	<b>\$ 4</b>	<b>\$ 342,647</b>	<b>\$ (201)</b>	<b>\$ (400)</b>	<b>\$ 95</b>	<b>\$ (227,428)</b>	<b>\$ 114,717</b>

See accompanying notes to the condensed financial statements.

**Unity Biotechnology, Inc.**  
**Condensed Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
<b>Operating activities</b>		
Net loss	\$ (74,257)	\$ (64,150)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	2,638	1,918
Amortization of debt issuance costs	123	—
Net accretion and amortization of premium and discounts on marketable securities	47	(1,035)
Stock-based compensation	11,113	7,764
Common stock issued to third party	—	965
Non-cash rent expense	(586)	—
Impairment of long-lived assets	2,159	—
Change in fair value of strategic investment	(502)	—
Accretion of tenant improvement allowance	—	(873)
Change in fair value of contingent consideration	(33)	(1,327)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,477)	(419)
Other long-term assets	625	(25)
Accounts payable	(966)	(331)
Accrued compensation	(142)	(119)
Accrued and other current liabilities	(361)	(502)
Deferred rent, net of current portion	—	1,404
Net cash used in operating activities	<u>(61,619)</u>	<u>(56,730)</u>
<b>Investing activities</b>		
Purchase of marketable securities	(92,966)	(90,158)
Maturities of marketable securities	96,795	163,560
Sale of strategic investments	6,009	—
Purchase of property and equipment	(471)	(977)
Net cash provided by investing activities	<u>9,367</u>	<u>72,425</u>
<b>Financing activities</b>		
Proceeds from issuance of common stock under ATM Offering Program, net of issuance costs	37,270	5,398
Proceeds from issuance of common stock under the 2018 ESPP	385	405
Proceeds from issuance of common stock upon exercise of stock options, net of repurchases	1,186	819
Proceeds from long-term debt, net of issuance costs to lender	24,550	—
Proceeds from repayment of employee promissory notes	374	—
Payment of long-term debt non-lender issuance costs	(360)	—
Payments made on capital lease obligations	(45)	(52)
Net cash provided by financing activities	<u>63,360</u>	<u>6,570</u>
Net increase in cash, cash equivalents and restricted cash	11,108	22,265
Cash, cash equivalents and restricted cash at beginning of the period	38,919	15,949
Cash, cash equivalents and restricted cash at end of the period	<u>\$ 50,027</u>	<u>\$ 38,214</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 182</u>	<u>\$ —</u>
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities</b>		
Property and equipment included in accounts payable	<u>\$ 36</u>	<u>\$ 62</u>
Issuance of common stock in settlement of contingent consideration milestone	<u>\$ 1,098</u>	<u>\$ 2,059</u>
Issuance of shares in settlement of share-based liability	<u>\$ 100</u>	<u>\$ —</u>
Lessor funded lease incentives included in tenant improvement receivable	<u>\$ —</u>	<u>\$ 10,650</u>

See accompanying notes to the condensed financial statements.

**Unity Biotechnology, Inc.**  
**Notes to Condensed Financial Statements**  
**(Unaudited)**

## **1. Organization**

### **Description of Business**

Unity Biotechnology, Inc. (the “Company”) is a biotechnology company engaged in the research and development of therapeutics to slow, halt or reverse diseases of aging. The Company devotes substantially all of its time and efforts to performing research and development, raising capital and recruiting personnel. The Company’s headquarters are located in South San Francisco, California. The Company was incorporated in the State of Delaware in 2009 and operates in one segment.

In August 2020, the Company announced the 12-week results from a Phase 2 study of UBX0101 in patients with moderate-to-severe painful osteoarthritis (OA) of the knee. There was no statistically significant difference between any arm of UBX0101 and placebo at the 12-week primary endpoint of the study. Given these results, the Company does not anticipate progressing UBX0101 into pivotal studies and will narrow its near-term focus to its ongoing ophthalmologic and neurologic disease programs.

### **Liquidity**

The Company has incurred operating losses and has an accumulated deficit as a result of ongoing efforts to develop drug product candidates, including conducting preclinical and clinical trials and providing general and administrative support for these operations. The Company had an accumulated deficit of \$319.7 million and \$245.5 million as of September 30, 2020 and December 31, 2019, respectively. The Company had net losses of \$74.3 million and \$64.2 million for the nine months ended September 30, 2020 and 2019, respectively, and net cash used in operating activities of \$61.6 million and \$56.7 million for the nine months ended September 30, 2020 and 2019, respectively. To date, none of the Company’s drug candidates have been approved for sale, and therefore, the Company has not generated any revenue from contracts with customers and does not expect positive cash flows from operations in the foreseeable future. The Company has financed its operations primarily through private placements of preferred stock and promissory notes, public equity issuances and more recently, from its ATM Offering Program (as defined below) and the Term Loan Facility (as defined below), and will continue to be dependent upon equity and/or debt financing until the Company is able to generate positive cash flows from its operations. See Note 7, “Term Loan Facility”.

The Company had cash, cash equivalents and marketable securities of \$132.2 million as of September 30, 2020. The Company has evaluated and concluded there are no conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a period of one year following the date that these condensed financial statements are issued. Management expects operating losses to continue for the foreseeable future. As a result, the Company will need to raise additional capital. If sufficient funds on acceptable terms are not available when needed, the Company could be required to significantly reduce its operating expenses and delay, reduce the scope of, or eliminate one or more of its development programs. Failure to manage discretionary spending or raise additional financing, as needed, may adversely impact the Company’s ability to achieve its intended business objectives.

## **2. Summary of Significant Accounting Policies**

### **Basis of Presentation**

These condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the rules and regulations of the United States Securities and Exchange Commission (“SEC”) for interim reporting.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, the unaudited condensed financial statements should be read in conjunction with the audited financial statements and the related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC.



## Unaudited Condensed Financial Statements

The accompanying financial information for the three and nine months ended September 30, 2020 and 2019 are unaudited. The unaudited condensed financial statements have been prepared on the same basis as the annual audited financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position as of September 30, 2020 and its results of operations for the three and nine months ended September 30, 2020 and 2019 and cash flows for the nine months ended September 30, 2020 and 2019. The results for interim periods are not necessarily indicative of the results expected for the full fiscal year or any other periods.

### Use of Estimates

The condensed financial statements have been prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the amounts and disclosures reported in the condensed financial statements and accompanying notes. The Company bases its estimates on historical experience and market-specific or other relevant assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company's condensed balance sheets and the amount of expenses and income reported for each of the periods presented are affected by estimates and assumptions, which are used for, but are not limited to, determining the fair value of assets and liabilities, contingent consideration liability and stock-based compensation. Actual results could differ from such estimates or assumptions.

### Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with original maturities of 90 days or less from the date of purchase to be cash equivalents. Cash equivalents primarily include money market funds that invest in U.S. Treasury obligations which are stated at fair value.

The Company has issued letters of credit under lease agreements which have been collateralized. This cash is classified as noncurrent restricted cash on the balance sheet based on the term of the underlying lease.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash within the balance sheets that sum to the total of the same amounts shown in the condensed statements of cash flows (in thousands).

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 48,581	\$ 37,473
Restricted cash	1,446	1,446
Total cash, cash equivalents and restricted cash	<u>\$ 50,027</u>	<u>\$ 38,919</u>

### Marketable Securities

The Company generally invests its excess cash in investment grade, short to intermediate-term, fixed income securities. Such investments are considered available-for-sale debt securities, and reported at fair value with unrealized gains and losses included as a component of stockholders' equity. Marketable securities with original maturities of greater than 90 days from the date of purchase but less than one year from the balance sheet date that are available to be converted into cash to fund current operations are classified as short-term, while marketable securities with maturities in one year or beyond one year from the balance sheet date are classified as long-term. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, which is included in interest income on the statements of operations and comprehensive loss. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on marketable securities are included in other income (expense), net. The cost of securities sold is determined using the specific identification method.

The Company periodically evaluates whether declines in fair values of its marketable securities below their book value are other-than-temporary. This evaluation consists of several qualitative and quantitative factors regarding the severity and duration of the unrealized loss as well as the Company's ability and intent to hold the marketable security until a forecasted recovery occurs. Additionally, the Company assesses whether it has plans to sell the security or it is more likely than not it will be required to sell any marketable securities before recovery of its amortized cost basis. Factors considered include quoted market prices, recent financial results and operating trends, implied values from any recent transactions or offers of investee securities, credit quality of debt instrument issuers,

other publicly available information that may affect the value of the marketable security, duration and severity of the decline in value, and management's strategy and intentions for holding the marketable security. To date, the Company has not recorded any impairment charges on its marketable securities related to other-than-temporary declines in market value.

### **Strategic Investments**

The Company has previously made investments in strategic partners and may do so again in the future. The Company does not intend to have a controlling interest or significant influence when it makes these strategic investments. Investments in equity securities of strategic partners with readily determinable fair values are measured using quoted market prices, with changes recorded through other income (expense), net in the statement of operations and comprehensive loss. The Company held a non-controlling equity investment in the common stock of Ascentage Pharma Group International ("Ascentage International"), an affiliate of a Hong-Kong based clinical-stage biopharmaceutical company called Ascentage Pharma Group Corp. Limited ("Ascentage Pharma"), which was acquired in connection with certain commercial agreements with Ascentage Pharma. See Note 5, "License Agreements". In October 2019, Ascentage International completed an initial public offering of shares of its common stock on the Hong Kong Stock Exchange. During the three months ended September 30, 2020, the Company sold its remaining holdings in Ascentage International.

### **Concentrations of Risk**

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash and marketable securities. Substantially all of the Company's cash and cash equivalents and restricted cash is deposited in accounts with financial institutions that management believes are of high credit quality. Such deposits have and will continue to exceed federally insured limits. The Company maintains its cash with accredited financial institutions and accordingly, such funds are subject to minimal credit risk. The Company has not experienced any losses on its cash deposits.

The Company's investment policy limits investments in marketable securities to certain types of securities issued by the U.S. government, its agencies and institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issuer. The Company is exposed to credit risk in the event of a default by the financial institutions holding its cash, cash equivalents, restricted cash and marketable securities and issuers of marketable securities to the extent recorded on the balance sheets. As of September 30, 2020, the Company had no off-balance sheet concentrations of credit risk.

The Company depends on third-party suppliers for key raw materials used in its manufacturing processes and is subject to certain risks related to the loss of these third-party suppliers or their inability to supply the Company with adequate raw materials.

In March 2020, the World Health Organization declared the global novel coronavirus ("COVID-19") outbreak a pandemic. To date, the Company's operations have not been significantly impacted by the COVID-19 pandemic. However, the Company cannot at this time predict the specific extent, duration, or full impact that the COVID-19 pandemic will have on its financial condition and results of operations, including ongoing and planned clinical studies. The impact of the COVID-19 pandemic on the financial performance of the Company will depend on future developments, including the duration and spread of the COVID-19 pandemic and related governmental advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain. If the financial markets and/or the overall economy are impacted for an extended period, the Company's business, financial condition, results of operations and prospects may be adversely affected.

### **Research and Development Expenses and Accruals**

Costs related to research, design and development of drug candidates are charged to research and development expense as incurred. Research and development costs include, but are not limited to, payroll and personnel expenses for personnel contributing to research and development activities, laboratory supplies, outside services, licenses acquired to be used in research and development, manufacturing of clinical material, pre-clinical testing and consultants and allocated overhead, including rent, equipment, depreciation and utilities. Research and development costs are expensed as incurred unless there is an alternative future use in other research and development projects. Payments made prior to the receipt of goods or services to be used in research and development are deferred and recognized as expense in the period in which the related goods are received or services are rendered. Such payments are evaluated for current or long-term classification based on when they will be realized.

As part of the process of preparing its condensed financial statements, the Company is required to estimate expenses resulting from its obligations under contracts with vendors and consultants and clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations which vary from contract to contract and may result in payment flows that do not match the periods over which materials or services are provided under such contracts. The Company's objective is to reflect the appropriate expenses in its condensed financial statements by matching those expenses with the period in which services and efforts are expended. The Company accounts for these expenses according to the progress of the production of clinical trial materials or based on progression of the clinical trial, as measured by patient progression and the timing of various aspects of the trial. The Company determines accrual estimates by taking into account discussion with applicable personnel and outside service providers as to the progress or state of consummation of goods and services, or the services completed. During the course of a clinical trial, the Company adjusts the rate of expense recognition if actual results differ from its estimates. The Company makes estimates of accrued expenses as of each balance sheet date in its condensed financial statements based on the facts and circumstances known at that time. The Company's clinical trial accrual is dependent in part upon the timely and accurate reporting of contract research organizations, contract manufacturers and other third-party vendors. Although the Company does not expect its estimates to be materially different from amounts actually incurred, the Company's understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and it may result in reporting changes in estimates in any particular period. Adjustments to prior period estimates have not been material for the nine months ended September 30, 2020 and 2019.

### **Contingent Consideration Liability**

The Company has entered into and may continue to enter into, license agreements to access and utilize certain technology. In each case, the Company evaluates whether the license agreement results in the acquisition of an asset or a business. To date, all of the Company's license agreements have been considered acquisitions of assets and none have been considered acquisitions of a business. For license agreements that are considered to be acquisitions of assets, the upfront payments for such license, as well as any future milestone payments made before product approval, are immediately recognized as research and development expense when due, provided there is no alternative future use of the rights in other research and development projects. Some of the Company's license agreements also include contingent consideration in the form of an obligation to issue additional shares of the Company's common stock based on the achievement of certain milestones. The Company assesses on a continuous basis whether (i) such contingent consideration meets the definition of a derivative, and (ii) whether it can be classified within stockholders' equity. Until such time when equity classification criteria are met or the milestones expire, the contingent consideration is classified as a liability. The derivative related to this contingent consideration is measured at fair value as of each balance sheet date with the related change in fair value being reflected in operating expenses. Upon a reassessment event that results in the contingent consideration no longer meeting the definition of a derivative and/or meeting equity classification criteria, the final change in fair value of the instrument is recorded within operating expenses and the liability is reclassified into stockholders' equity.

### **Leases**

Prior to January 1, 2020, the Company accounted for its leases of office space and laboratory facilities under non-cancelable operating lease agreements and recognized related rent expense on a straight-line basis over the term of the lease. Incentives granted under the Company's facilities lease, including allowances to fund leasehold improvements and rent holidays, were recognized as reductions to rental expense on a straight-line basis over the term of the lease. Lessor funded leasehold improvement incentives not yet received were recorded in prepaid expenses and other current assets on the condensed balance sheets. The Company did not assume renewals in its determination of the lease term unless they were deemed to be reasonably assured at the inception of the lease and began recognizing rent expense on the date that it obtained the legal right to use and control the leased space. Deferred rent consisted of the difference between cash payments and the rent expense recognized. The Company recognized a liability for costs that would continue to be incurred under a lease contract for its remaining term without economic benefit at its fair value when the entity ceased using the right conveyed by the contract, which was when the space was completely vacated. The Company also entered into capital lease agreements for certain equipment with a lease term of three years. The current portion of capital lease obligations was included in accrued and other current liabilities and the noncurrent capital lease obligations was included in other noncurrent liabilities on the condensed balance sheets.

Subsequent to January 1, 2020, the Company determines whether the arrangement is or contains a lease at the inception of the arrangement and if so, whether such a lease is classified as a financing lease or an operating lease. Operating leases are included in operating lease right-of-use assets, ("ROU assets"), operating lease liabilities, net of current portion, and accrued and other current liabilities on the Company's condensed balance sheets. The Company

has elected not to recognize on the condensed balance sheets leases with terms of one year or less. Operating lease ROU assets represent the Company's right to use an underlying asset for the lease term and are considered long-lived assets for purposes of identifying, recognizing and measuring impairment. Operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of lease payments over the expected lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment, in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made or incentives received and impairment charges if the Company determines the ROU asset is impaired and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options to extend or terminate the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected to not separate lease and non-lease components for its leased assets and accounts for all lease and non-lease components of its agreements as a single lease component. The lease components resulting in a ROU asset have been recorded on the condensed balance sheets and are amortized as lease expense on a straight-line basis over the lease term.

The Company does not have any material financing leases.

### **Impairment of Long-Lived Assets**

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable. If indicators of impairment exist and the undiscounted future cash flows that the assets are expected to generate are less than the carrying value of the assets, the Company reduces the carrying amount of the assets through an impairment charge, to their estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. During the first quarter of 2020, the Company evaluated indicators of impairment for the ROU asset and related leasehold improvements considering the current economic environment, its impact on subleasing activity and the exit of its previous headquarters located in Brisbane, California. The Company concluded the carrying value of these assets were not fully recoverable and recorded an impairment charge of \$2.2 million. See Note 6, "Commitments and Contingencies".

Determining estimated discounted cash flows for purposes of an impairment analysis requires the Company to make estimates and assumptions regarding the amount and timing of sublease income. There are often risks and uncertainties associated with the intent to sublease offices and laboratory space. Consequently, the eventual realized sublease revenues may vary from estimates as of the impairment testing date and adjustments may occur in future periods. Furthermore, the Company's sublease assumptions could be further impacted by the COVID-19 outbreak.

### **Restructuring**

The Company recognizes restructuring charges related to reorganization plans that have been committed to by management and when liabilities have been incurred. In connection with these activities, the Company records restructuring charges at fair value for a) contractual employee termination benefits when obligations are associated to services already rendered, rights to such benefits have vested, and payment of benefits is probable and can be reasonably estimated, and b) one-time employee termination benefits when management has committed to a plan of termination, the plan identifies the employees and their expected termination dates, the details of termination benefits are complete, it is unlikely changes to the plan will be made or the plan will be withdrawn and communication to such employees has occurred.

One-time employee termination benefits are recognized in their entirety when communication has occurred, and future services are not required. Contract termination costs to be incurred over the remaining contract term without economic benefit are recorded in their entirety when the contract is canceled.

The recognition of restructuring charges requires the Company to make certain judgments and estimates regarding the nature, timing and amount of costs associated with the planned reorganization plan. At the end of each reporting period, the Company evaluates the remaining accrued restructuring balances to ensure that no excess accruals are retained, and the utilization of the provisions are for their intended purpose in accordance with developed restructuring plans.

## Income Taxes

On March 18, 2020, the Families First Coronavirus Response Act (“FFCR Act”), and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) were each enacted in response to the COVID-19 pandemic. The FFCR Act and the CARES Act contain numerous tax-related provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property.

On June 29, 2020 California State Assembly Bill 85 (the “Trailer Bill”) was enacted which suspends the use of California net operating loss (“NOL”) deductions and certain tax credits, including research and development tax credits, for the 2020, 2021, and 2022 tax years.

The FFCR Act, CARES Act and Trailer Bill did not have a material impact on the Company’s condensed financial statements as of September 30, 2020; however, the Company continues to examine the impacts the FFCR Act, CARES Act and Trailer Bill may have on its business, results of operations, financial condition and liquidity.

## Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions to the general principles in Topic 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This ASU is effective for the Company for all interim and annual periods beginning January 1, 2022, with early adoption permitted. The Company early adopted ASU 2019-12 beginning January 1, 2020 on a prospective basis. The adoption of this standard did not have a material impact on its condensed financial statements and related disclosures. The only aspect of ASU 2019-12 that is currently applicable to the Company is the removal of the exception related to intraperiod tax allocation. The Company began applying the general methodology regarding the intraperiod allocation of tax expense in 2020. After the adoption of ASU 2019-12, in periods where the Company has a loss from continuing operations, the amount of taxes attributable to continuing operations will be determined without regard to the tax effect of other items, including changes in unrealized gains related to marketable securities.

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* (ASU 2018-18), which clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue under the guidance for contracts with customers (Topic 606) when the collaborative arrangement participant is a customer in the context of a unit of account. The standard is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted, including adoption in any interim period for public business entities for periods in which financial statements have not been issued. The Company adopted this standard on January 1, 2020. The adoption of this ASU did not have a material impact on the Company’s condensed financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, modifies and adds disclosure requirements for fair value measurements. The amendments in this ASU are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company adopted this standard on January 1, 2020. The adoption of this ASU did not have a material impact on its condensed financial statements but has resulted in enhanced disclosures related to the recurring Level 3 fair value measurements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The amendments in this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This new guidance is effective for the Company in fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company adopted this standard on January 1, 2020. The adoption of this ASU did not have a material impact on its condensed financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, and related amendments which supersedes the guidance in former ASC 840, *Leases*. The new standard, as amended by subsequent ASUs on the Topic, requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. On November 15, 2019, the FASB issued ASU 2019-10 to delay the effective date of this standard, making it effective for the Company for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021, with early adoption permitted.

The Company adopted this standard on January 1, 2020 using the modified retrospective approach with a cumulative effect adjustment to accumulated deficit at the beginning of the period of adoption, if any. The Company elected the package of practical expedients permitted under the transition guidance within Topic 842, which allowed the Company to carry forward the historical lease classification, retain the initial direct costs for any leases that existed prior to the adoption of the standard and not reassess whether any contracts entered into prior to the adoption are leases. The Company also elected to account for lease and non-lease components in its lease agreements as a single lease component in determining lease assets and liabilities. In addition, the Company elected not to recognize the right-of-use assets and liabilities for leases with lease terms of one year or less. The Company did not elect the practical expedient allowing the use-of-hindsight, which would require the Company to reassess the lease term of its leases based on all facts and circumstances through the effective date and did not elect the practical expedient pertaining to land easements as this is not applicable to the current contract portfolio.

Upon adoption of Topic 842, the Company recorded \$42.4 million of operating lease liabilities and \$27.2 million of right-of-use assets after reclassification of deferred rent of \$15.3 million, as of January 1, 2020. The adoption did not have a material impact on the Company's condensed statements of operations and comprehensive loss or condensed statements of cash flows. See Note 6, "Commitments and Contingencies" for additional information.

### **Recently Issued Accounting Pronouncements Not Yet Adopted**

In August 2020, the FASB issued ASU No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity*. ASU 2020-06 eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, ASU 2020-06 modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. The amendments in ASU 2020-06 are effective for smaller reporting companies as defined by the SEC for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of ASU 2020-06 on its condensed financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles (Topic 350): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This new standard also requires customers to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. This standard is effective for the Company for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. This new standard can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact of adoption on its condensed financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, as clarified in subsequent amendments. ASU 2016-13 changes the impairment model for certain financial instruments. The new model is a forward-looking expected loss model and will apply to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet credit exposures. This includes loans, held-to-maturity debt securities, loan commitments, financial guarantees and net investments in leases, as well as trade receivables. For available-for-sale debt securities with unrealized losses, credit losses will be measured in a manner similar to today, except that the losses will be recognized as allowances

rather than reductions in the amortized cost of the securities. In October 2019, the FASB voted to delay the effective date of this standard. Topic 326 will be effective for the Company for fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the effect that this ASU will have on its condensed financial position, results of operations, and disclosures.

### 3. Fair Value Measurements

The Company determines the fair value of financial and non-financial assets and liabilities based on the assumptions that market participants would use in pricing the asset or liability in an orderly transaction between market participants at the measurement date. The identification of market participant assumptions provides a basis for determining what inputs are to be used for pricing each asset or liability. A fair value hierarchy has been established which gives precedence to fair value measurements calculated using observable inputs over those using unobservable inputs. This hierarchy prioritized the inputs into three broad levels as follows:

- Level 1: Quoted prices in active markets for identical instruments
- Level 2: Other significant observable inputs (including quoted prices in active markets for similar instruments)
- Level 3: Significant unobservable inputs (including assumptions in determining the fair value of certain investments)

The carrying amounts of financial instruments such as cash and cash equivalents, restricted cash, prepaid expenses and other current assets, accounts payable, accrued compensation, accrued and other current liabilities approximate the related fair values due to the short maturities of these instruments. As the long-term debt was only recently issued and the principal amount outstanding is subject to variable interest rates that are based on market rates which are regularly reset, considering level 2 inputs, the Company believes the carrying value of the long-term debt approximates its fair value.

The Company's financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used in such measurements were as follows (in thousands):

	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 28,832	\$ 28,832	\$ —	\$ —
U.S. treasuries	9,999	—	9,999	—
<b>Total cash equivalents</b>	<b>38,831</b>	<b>28,832</b>	<b>9,999</b>	<b>—</b>
Short-term marketable securities:				
U.S. and foreign commercial paper	13,743	—	13,743	—
U.S. and foreign corporate debt securities	8,592	—	8,592	—
U.S. government debt securities	20,924	—	20,924	—
U.S. treasuries	40,374	—	40,374	—
<b>Total short-term marketable securities</b>	<b>83,633</b>	<b>—</b>	<b>83,633</b>	<b>—</b>
<b>Total assets subject to fair value measurements on a recurring basis</b>	<b>\$ 122,464</b>	<b>\$ 28,832</b>	<b>\$ 93,632</b>	<b>\$ —</b>

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 29,377	\$ 29,377	\$ —	\$ —
U.S. and foreign commercial paper	4,999	—	4,999	—
U.S. government debt securities	2,550	—	2,550	—
Total cash equivalents	<u>36,926</u>	<u>29,377</u>	<u>7,549</u>	<u>—</u>
Short-term marketable securities:				
U.S. treasuries	15,063	—	15,063	—
U.S. and foreign commercial paper	11,972	—	11,972	—
U.S. and foreign corporate debt securities	8,755	—	8,755	—
U.S. government debt securities	48,718	—	48,718	—
Total short-term marketable securities	<u>84,508</u>	<u>—</u>	<u>84,508</u>	<u>—</u>
Strategic investment				
Foreign equity securities	5,507	5,507	—	—
Total strategic investment	<u>5,507</u>	<u>5,507</u>	<u>—</u>	<u>—</u>
Long-term marketable securities				
U.S. treasuries	3,025	—	3,025	—
Total long-term marketable securities	<u>3,025</u>	<u>—</u>	<u>3,025</u>	<u>—</u>
Total assets subject to fair value measurements on a recurring basis	<u>\$ 129,966</u>	<u>\$ 34,884</u>	<u>\$ 95,082</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Contingent consideration liability	\$ 1,131	\$ —	\$ —	\$ 1,131
Total liabilities subject to fair value measurements on a recurring basis	<u>\$ 1,131</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,131</u>

The Company estimates the fair value of its money market funds, U.S. and foreign commercial paper, U.S. and foreign corporate debt securities, asset-backed securities, U.S. treasuries, U.S. government debt securities and foreign equity securities by taking into consideration valuations obtained from third-party pricing services. The pricing services utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker/dealer quotes on the same or similar securities, issuer credit spreads; benchmark securities; prepayment/default projections based on historical data; and other observable inputs.

The Company had previously recorded a contingent consideration liability related to three agreements (the “Commercial Agreements”) with Ascentage Pharma Group Corp. Limited, a clinical-stage biopharmaceutical company based in Hong Kong China (“Ascentage Pharma”). See Note 5, “License Agreements”. The fair value of the contingent consideration liability at December 31, 2019 included inputs not observable in the market and thus represented a Level 3 measurement. The probability of achieving the defined milestone events under the Commercial Agreements was estimated on a quarterly basis by the Company’s management using a probability-weighted valuation approach model which utilized current stock price and reflected the probability and timing of future issuances of shares. As a result of settlements and changes made to the Commercial Agreements, there was no contingent consideration liability at September 30, 2020.

The following table provides a reconciliation of the Company’s financial liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at September 30, 2020 and 2019 (in thousands):

	Amount
Balance at December 31, 2019	\$ 1,131
Additions	—
Settlements	(1,098)
Change in fair value	(33)
Balance at September 30, 2020	<u>\$ —</u>



	<u>Amount</u>
Balance at December 31, 2018	\$ 2,483
Additions	—
Settlements	—
Change in fair value	(1,327)
Balance at September 30, 2019	<u>\$ 1,156</u>

There were no transfers into and out of Level 3 of the fair value hierarchy during the nine months ended September 30, 2020 and 2019.

The Company held an equity investment in Ascentage International, an affiliate of Ascentage Pharma. The equity interest represented an insignificant level of ownership in the investee and was recorded within strategic investment on the Company's condensed balance sheets. See Note 5, "License Agreements". In October 2019, Ascentage International completed an initial public offering of common stock on the Hong Kong Stock Exchange. Following the initial public offering, the Company's underlying investment changed to be an equity security with a readily determinable fair value which was measured at fair value on a recurring basis based on quoted stock prices available on the Hong Kong Stock Exchange, which are considered observable inputs (Level 1). During the nine months ended September 30, 2020, the Company sold its equity investment in Ascentage International for cash proceeds of \$6.0 million and recorded a corresponding loss of \$2.2 million. The Company's total original investment in Ascentage was \$1.0 million. The fair value of the Company's equity investment in Ascentage International was zero and \$5.5 million as of September 30, 2020 and December 31, 2019, respectively, and was included in strategic investment on the Company's condensed balance sheets. The change in fair value of this investment was \$0.5 million and zero for the nine months ended September 30, 2020 and 2019, respectively, and was recorded in other income (expense), net on the statements of operations and comprehensive loss.

See Note 4, "Marketable Securities," for further information regarding the carrying value of the Company's financial instruments.

#### 4. Marketable Securities

Marketable securities, which are classified as available-for-sale, consisted of the following as of September 30, 2020 (in thousands):

	<u>Amortized Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<b>Cash equivalents:</b>				
Money market funds	\$ 28,832	\$ —	\$ —	\$ 28,832
U.S. and foreign commercial paper	9,999	—	—	9,999
Total cash equivalents	<u>38,831</u>	<u>—</u>	<u>—</u>	<u>38,831</u>
<b>Short-term marketable securities:</b>				
U.S. and foreign commercial paper	13,740	3	—	13,743
U.S. and foreign corporate debt securities	8,577	15	—	8,592
U.S. government debt securities	20,902	22	—	20,924
U.S. treasuries	40,348	26	—	40,374
Total short-term marketable securities	<u>83,567</u>	<u>66</u>	<u>—</u>	<u>83,633</u>
Total	<u>\$ 122,398</u>	<u>\$ 66</u>	<u>\$ —</u>	<u>\$ 122,464</u>

Marketable securities, which are classified as available-for-sale, consisted of the following as of December 31, 2019 (in thousands):

	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
<b>Cash equivalents:</b>				
Money market funds	\$ 29,377	\$ —	\$ —	\$ 29,377
U.S. and foreign commercial paper	4,999	—	—	4,999
U.S. government debt securities	2,550	—	—	2,550
<b>Total cash equivalents</b>	<b>36,926</b>	<b>—</b>	<b>—</b>	<b>36,926</b>
<b>Short-term marketable securities:</b>				
U.S. and foreign commercial paper	11,965	7	—	11,972
U.S. and foreign corporate debt securities	8,748	8	(1)	8,755
U.S. government debt securities	48,647	71	—	48,718
U.S. treasuries	15,057	6	—	15,063
<b>Total short-term marketable securities</b>	<b>84,417</b>	<b>92</b>	<b>(1)</b>	<b>84,508</b>
<b>Long-term marketable securities</b>				
U.S. treasuries	3,025	—	—	3,025
<b>Total long-term marketable securities</b>	<b>3,025</b>	<b>—</b>	<b>—</b>	<b>3,025</b>
<b>Total</b>	<b>\$ 124,368</b>	<b>\$ 92</b>	<b>\$ (1)</b>	<b>\$ 124,459</b>

At September 30, 2020, the remaining contractual maturities of available-for-sale securities were less than one year. There have been no significant realized gains or losses on available-for-sale securities for the periods presented. Available-for-sale debt securities that were in a continuous loss position but were not deemed to be other than temporarily impaired were immaterial at both September 30, 2020 and December 31, 2019. The Company does not intend to and does not believe it is more likely than not that it will be required to sell these debt securities before their maturities.

See Note 3, “Fair Value Measurements,” for further information regarding the fair value of the Company’s financial instruments.

## 5. License Agreements and Strategic Investment

### *License and Compound Library and Option Agreement*

The Company is a party to three agreements with Ascentage Pharma: (a) a compound library and option agreement executed in February 2016 granting the Company the right to identify and take licenses to research, develop, and seek and obtain marketing approval for library compounds for the treatment of indications outside of oncology (the “Library Agreement”), (b) an initial license agreement executed in February 2016 granting the Company rights to an initial Ascentage Pharma compound known as APG1252 (the “APG1252 License Agreement”), and (c) a second license agreement executed in January 2019 granting the Company rights to a second licensed compound (this second license agreement, the “Bcl License Agreement” and collectively with the Library Agreement and APG1252 License Agreement, the “Commercial Agreements”). On July 30, 2020, the Company notified Ascentage Pharma of its termination of the APG1252 License Agreement due to the Company’s decision to prioritize the progression of other compounds from Ascentage International’s library of Bcl-2 inhibitors, such as UBX1325 and UBX1967.

The Commercial Agreements referenced above include cash payments of up to \$70.3 million as well as the equity payments of up to an aggregate of (a) 933,337 shares of common stock in the event there is only one licensed product, and (b) 1,333,338 shares of common stock in the event there are two or more licensed products, in each case to be issued based on the Company’s achievement of certain preclinical and clinical development and sales milestone events. The Company is required to make 80% of all equity payments to Ascentage Pharma and the remaining 20% to an academic institution from whom Ascentage Pharma had previously licensed the technology. The milestones include the advancement of additional compounds into Investigational New Drug application (“IND”) enabling studies, the filing of an IND, the commencement of clinical studies, Food and Drug Administration (“FDA”) and/or European Medicines Agency approval, and a net sales threshold. The Bcl License Agreement also includes tiered royalties in the low-single digits based on sales of licensed products.

In December 2018, the Company elected to advance a second compound into formal preclinical development, which gave rise to an obligation under the compound library and option agreement to issue 133,334 shares of common stock to Ascentage Pharma and the academic institution. These shares were issued to Ascentage Pharma in January 2019 and the academic institution in March 2019.

In June 2020, the Company entered into a third amendment to the Bcl License Agreement. Under the terms of the original Bcl License Agreement, Ascentage Pharma granted the Company exclusive development and commercialization rights and non-exclusive manufacturing rights to an Ascentage Bcl inhibitor compound known as UBX1967 as well as the right to continue its preclinical development efforts with another Ascentage-controlled Bcl inhibitor compound, known as UBX1325, a small molecule inhibitor of the anti-apoptotic Bcl-2 family member, Bcl-xL, that served as a back-up to UBX1967. Under the terms of the third amendment to the Bcl License Agreement, the status of UBX1967 and UBX1325 were switched such that UBX1325 became the licensed compound and UBX1967 became the back-up compound under the Bcl License Agreement.

In July 2020, the Company filed an IND for the Phase 1 clinical study for UBX1325, which gave rise to an obligation under the Bcl License Agreement to issue an additional 133,334 shares of common stock to Ascentage Pharma and the academic institution. These shares were issued to Ascentage Pharma and the academic institution in August 2020. Within ninety (90) days of administering the first dose of UBX1325 to a patient in the Phase 1 study, the Company will also be obligated to make a milestone payment of \$1.0 million, which the Company may elect to pay in cash or shares of common stock. See Note 12, "Subsequent Events".

As of September 30, 2020, the Company had issued 746,670 shares of common stock to Ascentage Pharma and 186,667 shares of common stock to the academic institution from whom Ascentage Pharma had previously licensed the technology.

The Commercial Agreements included contingent consideration in the form of additional issuances of shares of the Company's common stock based on the achievement of the specified milestones. Based upon the above termination of the license to APG1252, the Company determined that the contingency no longer applied and adjusted the fair value of the contingent consideration liability to zero as of September 30, 2020. The Company had recorded a contingent consideration liability of \$1.1 million at December 31, 2019 based on the estimates for milestone achievements at the time. To date, no royalties were due from the sales of licensed products.

### ***Strategic Investment***

In April 2016, in connection with the Commercial Agreements, the Company purchased an interest in an affiliate of Ascentage Pharma for an aggregate purchase price of \$0.5 million. In May 2018, this interest was exchanged for an interest in a newly formed affiliate of Ascentage Pharma called Ascentage International as part of a reorganization of those entities. The Company also invested an additional \$0.5 million in Ascentage International in May 2018 which was recorded within other long-term assets on the Company's balance sheet as of December 31, 2018.

In October 2019, Ascentage International completed an initial public offering of shares of its common stock on the Hong Kong Stock Exchange at HK\$34.20 (approximately USD \$4.36) per share. In connection with Ascentage International's initial public offering, the Company's interest converted into shares of common stock of Ascentage International. The Company determined that its investment in Ascentage International met the definition of an equity security with a readily determinable fair value which was measured at fair value on a recurring basis based on quoted stock price available on the Hong Kong Stock Exchange. The Company was subject to a lock-up agreement with Ascentage International that precluded the Company from selling shares prior to April 28, 2020.

The Company agreed to provide funding to Ascentage Pharma for research and development work performed at a cost of up to \$2.0 million through February 2020. The research and development expense under the research services agreement was not material.

### ***Other License Agreements with Research Institutions***

In May 2019, the Company entered into a license agreement with The Regents of the University of California on behalf of its San Francisco campus (collectively, "UCSF") which provides the Company the rights to certain patents and related know-how to make, use, sell, offer for sale and import certain products and practice certain methods for use in the development of human therapeutics, which excludes the provision of services to third parties for

consideration of any kind. The license to the Company is subject to UCSF's reserved rights under the licensed intellectual property for educational and non-commercial research purposes and a requirement to substantially manufacture any licensed products in the United States. The Company is obligated to use diligent efforts to develop and obtain regulatory approval for at least one product commercialized pursuant to the agreement, and must meet certain regulatory and development milestones. In June 2019, as part of this license agreement, the Company issued 120,000 shares of its common stock to UCSF. In addition, the Company is obligated to pay an annual license maintenance fee and may be obligated to make milestone payments or issue up to an additional 34,000 shares of its common stock upon the occurrence of specified development events, up to aggregate milestone payments of \$13.6 million for each product licensed under the agreement, and upon commercialization, to make royalty payments in the low single digit percentages (subject to a specified minimum annual royalty) based on sales of products commercialized pursuant to the agreement. None of these events had occurred and no milestone payments or royalty payments had been recognized as of September 30, 2020. The upfront issuance of 120,000 shares of the Company's common stock was valued at \$1.0 million and recorded as additional paid-in capital upon issuance in June 2019.

The Company has also entered into license agreements with various other research institutions which have provided the Company with rights to patents, and in certain cases, research "know-how" and proprietary research tools to research, develop and commercialize drug candidates. In addition to upfront consideration paid to these various research institutions in either cash or shares of the Company's common stock, the Company may be obligated to pay milestone payments in cash or the issuance of the Company's common stock upon achievement of certain specified clinical development and/or sales events. The contingent consideration liability considered to be a derivative associated with the potential issuance of common stock related to these license agreements was not significant at September 30, 2020 or December 31, 2019. To date, none of these events has occurred and no contingent consideration, milestone or royalty payments have been recognized.

## **6. Commitments and Contingencies**

### *Leases*

In February 2019, the Company entered into a lease agreement for new office and laboratory space in South San Francisco, California. The term of the lease agreement commenced in May 2019. The lease has an initial term from occupancy of approximately ten years ending on December 31, 2029 with an option to extend the term for an additional eight years at then-market rental rates. The total base rent payment escalates annually based on a fixed percentage beginning from the 13<sup>th</sup> month of the lease agreement. The Company will also be responsible for the operating expenses and real estate taxes allocated to the building and common areas. Pursuant to the lease agreement, the landlord provided the Company with a tenant improvement allowance of \$10.7 million, which was included in deferred rent and leasehold improvements on the balance sheet at December 31, 2019. In connection with the execution of the lease agreement, the Company delivered a letter of credit of approximately \$0.9 million to the landlord.

In May 2016, the Company executed a non-cancellable lease agreement for office and laboratory space in Brisbane, California which commenced in May 2016 and continues through October 2022. The lease agreement includes an escalation clause for increased rent and a renewal provision allowing the Company to extend this lease for an additional four years by giving the landlord written notice of the election to exercise the option at least fifteen months prior to the original expiration of the lease term. The lease provides for monthly base rent amounts escalating over the term of the lease and the lessor provided the Company a \$3.9 million tenant improvement allowance to complete the laboratory and office renovation which was recorded as deferred rent liability and leasehold improvements within property and equipment, net. In May 2017, the Company entered into an amendment to expand the leased space and received a three-month rent holiday for the expanded space.

The Company's operating leases include various covenants, indemnities, defaults, termination rights, security deposits and other provisions customary for lease transactions of this nature.

The following table summarizes the components of lease expense, which are included in operating expenses in the Company's condensed statements of operations and comprehensive loss (in thousands):

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Operating lease cost	\$ 1,140	\$ 3,584
Variable lease cost	363	1,004
Impairment of operating lease right-of-use asset	—	1,157
Total lease cost	<u>\$ 1,503</u>	<u>\$ 5,745</u>

Variable lease payments include amounts relating to common area maintenance, real estate taxes and insurance and are recognized in the condensed statements of operations and comprehensive loss as incurred. Rent expense for the nine months ended September 30, 2019 was \$3.0 million.

The following table summarizes supplemental information related to leases (in thousands):

	Nine Months Ended September 30, 2020
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 4,172
Weighted-average remaining lease term (years)	
Operating leases	8.7
Weighted-average discount rate (percentage)	
Operating leases	5.8%

The following table summarizes the maturities of lease liabilities as of September 30, 2020 (in thousands):

	Amount
2020 (remaining 3 months)	\$ 1,626
2021	6,653
2022	6,283
2023	4,810
2024	4,964
Thereafter	27,302
Total future minimum lease payments	<u>51,638</u>
Less: Amount representing interest	(11,591)
Present value of future minimum lease payments	40,047
Less: Current portion of operating lease liability	(4,415)
Noncurrent portion of operating lease liability	<u>\$ 35,632</u>

The cumulative effect on the Company's condensed balance sheets at January 1, 2020 from the adoption of Topic 842 was as follows (in thousands):

	December 31, 2019	Topic 842 Adjustments	January 1, 2020
Operating lease right-of-use assets	\$ —	\$ 27,174	\$ 27,174
Accrued and other current liabilities	4,995	(1,970)	3,025
Operating lease liabilities, current portion	—	3,455	3,455
Deferred rent, net of current portion	13,298	(13,298)	—
Operating lease liabilities, net of current portion	—	38,988	38,988

In February 2020, the Company completed its move into the new office and laboratory space in South San Francisco, exited its previous offices and laboratory space in Brisbane, California, and began to actively market this space for sublease. Concurrent with this move and in consideration of real estate market conditions, in particular due to the COVID-19 pandemic in March 2020, the Company identified indicators of impairment in the related asset group, which included the leased ROU asset and related leasehold improvements associated with the lease. The

Company subsequently evaluated and compared the net book value of the asset group to the estimated undiscounted future cash flows over the remaining term of the lease and concluded that an impairment had occurred. The discounted estimated future cash flows include estimates of sublease rentals through the end of the lease term, which ends on October 31, 2022, utilizing a discount rate of 3.5% based on the Company's estimated incremental borrowing rate. The estimated discounted cash flows were compared to the net book value of the ROU asset and leasehold improvements resulting in an impairment loss of \$2.2 million. This impairment loss was allocated proportionally to the right-of-use asset of \$1.2 million and leasehold improvements of \$1.0 million and recorded in operating expense in the condensed statements of operations and comprehensive loss for the nine months ended September 30, 2020. After recording the impairment, the remaining balance of the ROU asset and leasehold improvements was \$1.8 million and \$1.6 million, respectively. The Company continues to actively market this space for sublease. Additional impairments could be realized if the Company's sublease assumptions are further impacted by real estate market conditions, including potentially as a result of the COVID-19 pandemic.

### **Indemnification**

The Company indemnifies each of its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity, as permitted under Delaware law and in accordance with the Company's amended and restated certificate of incorporation and bylaws. The term of the indemnification period lasts as long as an officer or director may be subject to any proceeding arising out of acts or omissions of such officer or director in such capacity.

The maximum amount of potential future indemnification is unlimited; however, the Company currently holds director and officer liability insurance. This insurance allows the transfer of risk associated with the Company's exposure and may enable the Company to recover a portion of any future amounts paid. The Company believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to these obligations for any period presented.

### **7. Term Loan Facility**

On August 3, 2020, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with Hercules Capital, Inc. ("Hercules"). Under the Loan Agreement, Hercules provided the Company with access to a term loan with an aggregate principal amount of up to \$80.0 million (the "Term Loan Facility"), available in four tranches, subject to certain terms and conditions. The first tranche of \$25.0 million was advanced to the Company on the date the Loan Agreement was executed. The milestones for the remaining tranches have not yet been reached and as of September 30, 2020 are not expected to be reached as they were dependent, in whole or in part, upon continued advancement in the clinical development of UBX0101 in patients with osteoarthritis of the knee. The Company expects to make interest only payments through September 1, 2022, or extended to March 1, 2023 upon satisfaction of certain milestones, and expects to then repay the principal balance and interest in equal monthly installments through August 1, 2024.

The Company may prepay advances under the Loan Agreement, in whole or in part, at any time subject to a prepayment charge of up to 1.50% of any amount prepaid, depending upon when the prepayment occurs. Upon prepayment or repayment of all or any of the term loans under the Term Loan Facility, the Company is required to pay an end of term fee ("End of Term Fee") equal to 6.25% of the total aggregate amount of the term loans being prepaid or repaid, which has been recorded as a discount on the principal balance upon issuance.

Interest on the term loan accrues at a per annum rate equal to the greater of (i) the Wall Street Journal prime rate plus 6.10% and (ii) 9.35%. On September 30, 2020, the rate was 9.35%. Interest expense is calculated using the effective interest method and is inclusive of non-cash amortization of capitalized loan issuance costs. At September 30, 2020, the effective interest rate was 12.40%.

Under the terms of the Loan Agreement, the Company granted first priority liens and security interests in substantially all of the Company's intellectual property as collateral for the obligations thereunder. The Company also granted Hercules the right, at their discretion, to participate in any closing of any single subsequent financing up to a maximum aggregate amount of \$2.0 million. The Loan Agreement also contains representations and warranties by the Company and Hercules, indemnification provisions in favor of Hercules and customary affirmative and negative covenants (including a liquidity covenant beginning July 1, 2021, requiring the Company to maintain at least \$15.0 million in unrestricted cash), and events of default. As of September 30, 2020, the Company was in compliance with all covenants under the Term Loan Facility.

As of September 30, 2020, the carrying value of the term loan consists of \$25.0 million principal outstanding less the debt discount and issuance costs of approximately \$2.2 million. The End of Term Fee of \$1.5 million is recognized over the life of the term loan as interest expense using the effective interest method. The debt issuance costs have been recorded as a debt discount which are being accreted to interest expense through the maturity date of the term loan.

Interest expense relating to the term loan, which is included in interest expense in the condensed statements of operations and comprehensive loss, was \$0.5 million for the three months ended September 30, 2020.

Future principal payments for the long-term debt are as follows (in thousands):

	<b>September 30, 2020</b>
2020 (for the remaining 3 months)	\$ —
2021	—
2022	3,838
2023	12,272
2024	8,890
Total principal payments	25,000
End of term fee due at maturity in 2024	1,562
Total principal and end of term fee payments	26,562
Unamortized discount and debt issuance costs	(2,249)
Long-term debt, net	<u>\$ 24,313</u>

## 8. Equity Financing

In June 2019, the Company filed a Registration Statement on Form S-3 (the “Shelf Registration Statement”), covering the offering of up to \$250.0 million of common stock, preferred stock, debt securities, warrants and units. The Shelf Registration Statement included a prospectus covering the offering, issuance and sale of up to \$75.0 million of the Company’s common stock from time to time through an “at-the-market” offering under the Securities Act of 1933, as amended (the “ATM Offering Program”). The SEC declared the Shelf Registration Statement effective on June 6, 2019.

On June 3, 2019, the Company also entered into a sales agreement (the “June 2019 Sales Agreement”) with Cowen and Company, LLC (“Cowen”) to sell shares of the Company’s common stock, from time to time, with aggregate gross sales proceeds of up to \$75.0 million, through the ATM Offering Program under which Cowen acts as its sales agent. Cowen is entitled to compensation for its services equal to up to 3.0% of the gross proceeds of any shares of common stock sold through Cowen under the June 2019 Sales Agreement. During the nine months ended September 30, 2020, the Company issued and sold 5,002,257 shares of its common stock through its ATM Offering Program and received net proceeds of approximately \$37.3 million, after deducting commissions and other offering expenses of \$1.3 million.

In July 2020, the Company filed an additional prospectus supplement to the Shelf Registration Statement. This prospectus supplement covers the offering, issuance and sale of up to an additional \$50.0 million of the Company’s common stock from time to time through an additional “at-the-market” offering under the Securities Act of 1933, as amended (the “Additional ATM Offering Program”).

On July 31, 2020, the Company entered into a second sales agreement (the “July 2020 Sales Agreement”) with Cowen to sell shares of the Company’s common stock, from time to time, with aggregate gross sales proceeds of up to \$50.0 million, through the Additional ATM Offering Program under which Cowen will act as its sales agent. The issuance and sale of shares of common stock by the Company pursuant to the July 2020 Sales Agreement are also deemed an “at-the-market” offering under the Securities Act of 1933, as amended (the “Securities Act”). Cowen is entitled to compensation for its services equal to up to 3.0% of the gross proceeds of any shares of common stock sold through Cowen under the July 2020 Sales Agreement. During the third quarter, there were no shares of the Company’s common stock sold through the Additional ATM Offering Program.

## 9. Corporate Restructuring

In September 2020, the Company's board of directors implemented a corporate restructuring to align its resources on cellular senescence programs in ophthalmology and neurology while further extending operating capital. The restructuring is expected to result in an elimination of approximately 33 positions, or approximately 32% of the Company's workforce, by December 31, 2020. The Company incurred a one-time employee benefits and severance charge of approximately \$1.8 million in operating expenses during the three months ended September 30, 2020. The related accrual is recorded in accrued compensation on the condensed balance sheet at September 30, 2020. Restructuring charges incurred under this plan primarily consisted of employee termination benefits. Employee termination benefits include severance costs, employee-related benefits, and supplemental one-time termination payments. Charges and other costs related to the workforce reduction and structure realignment, and non-cash share-based compensation credits related to the forfeiture of stock options are included in operating expenses in the condensed statements of operations and comprehensive loss. Of the total charge, \$1.5 million was recorded to research and development expenses and \$0.3 million was recorded to general and administrative expenses during the three months ended September 30, 2020. Substantially all cash payments are expected to be paid out by the first quarter of 2021. The Company may also incur additional costs not currently contemplated due to events that may occur as a result of, or that are associated with, the restructuring.

## 10. Stock-Based Compensation

### Stock Options and Restricted Stock Units Activity

A summary of the Company's stock option activity under the 2013 Equity Incentive Plan, 2018 Incentive Award Plan, and 2020 Employment Inducement Incentive Plan for the nine months ended September 30, 2020 is as follows:

	Number of Shares	Weighted- Average Exercise Price
Balances at December 31, 2019	6,906,898	\$ 7.62
Granted	3,949,756	\$ 6.46
Exercised	(215,037)	\$ 3.91
Canceled	(1,428,825)	\$ 8.11
Balances at September 30, 2020	<u>9,212,792</u>	<u>\$ 7.13</u>

A summary of the Company's restricted stock units ("RSUs") and performance stock units ("PSUs") activity for the nine months ended September 30, 2020 is as follows:

	Number of Shares	Weighted- Average Grant Date Fair Value
Unvested at December 31, 2019	325,887	\$ 9.00
Granted	3,621,164	\$ 3.44
Vested	(103,020)	\$ 9.00
Canceled	(158,262)	\$ 7.73
Unvested at September 30, 2020	<u>3,685,769</u>	<u>\$ 3.59</u>

For stock options granted to employees with service-based vesting, the fair value of stock options granted to employees was estimated on the date of grant using the Black-Scholes option pricing model and utilizing assumptions that were determined as follows:

*Expected Term*—The expected term represents the period that the options granted are expected to be outstanding and is determined using the simplified method (based on the mid-point between the vesting date and the end of the contractual term) as the Company has concluded that its stock option exercise history does not provide a reasonable basis upon which to estimate expected term.



*Expected Volatility*—Due to limited historical data, the Company estimates stock price volatility based on a combined weighted-average of the Company's historical average volatility and that of a selected peer group of comparable publicly traded companies within the biotechnology and pharmaceutical industry that were deemed to be representative of future stock price trends over the expected life of the award.

*Risk-Free Interest Rate*—The Company based the risk-free interest rate over the expected term of the options based on the constant maturity rate of U.S. Treasury securities with similar maturities as of the date of the grant.

*Expected Dividends*—The Company has never paid any dividends and does not plan to pay dividends in the foreseeable future. Therefore, the expected dividend yield is zero.

In March 2020, the board of directors granted the Company's newly hired Chief Executive Officer stock-based awards covering an aggregate of 1.1 million shares of common stock, including options to purchase an aggregate of 800,000 shares of common stock, 120,000 RSUs, 150,000 PSUs and 30,000 shares of common stock. The stock-based awards were granted pursuant to the 2020 Employment Inducement Incentive Plan, which was approved by the board of directors in March 2020 to provide for grants to newly hired employees as a material inducement for them to commence employment with the Company.

The 30,000 shares of common stock were fully vested on the date of grant and thus, the related compensation expense of \$0.2 million was recognized on the grant date. The stock options and RSUs will vest subject to continued service through the applicable vesting date.

The PSUs vest as to 50,000 PSUs upon the attainment of (a) a volume-weighted average per share closing trading price of the Company's common stock of at least \$36.875 over a trailing 30-day period or (b) a change in control transaction in which the price per share to the holders of the Company's common stock is at least \$36.875 and as to 100,000 PSUs (x) at such time as the Company's market capitalization reaches at least \$2.5 billion, as measured based on the volume weighted-average closing trading price over a trailing 30 day period or (y) a change in control transaction in which the consideration paid to the Company's stockholders is equal to at least \$2.5 billion, as determined by the Company's board of directors.

For the PSU awards, the Company used the Monte-Carlo option pricing model to determine the fair value of awards at the date of grant. The Monte-Carlo option pricing model uses similar input assumptions as the Black-Scholes model; however, it further incorporates into the fair-value determination the possibility that the market condition may not be satisfied. Compensation costs related to awards with a market-based condition are recognized regardless of whether the market condition is ultimately satisfied. Compensation cost is not reversed if the achievement of the market condition does not occur. The total grant date fair value of the PSU awards was determined to be \$0.7 million and will be recognized as compensation expense over the weighted-average derived service period of approximately 4.3 years.

In September 2020, the board of directors granted retention stock-based awards to employees covering an aggregate of 3.2 million shares of common stock, including options to purchase an aggregate of 250,000 shares of common stock and 2,959,850 of restricted stock units. The awards are all time-based vesting and vest over three to four years.

During the nine months ended September 30, 2020 the Company issued 13,550 shares in settlement of stock-based compensation awards accounted for as liability awards.

## Stock Based Compensation Expense

The following table sets forth the total stock-based compensation expense for all options granted to employees and nonemployees, including shares sold through the issuance of non-recourse promissory notes which are considered to be options for accounting purposes, and costs associated with the Company's 2018 Employee Stock Purchase Plan ("2018 ESPP") included in the Company's condensed statements of operations and comprehensive loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Research and development	\$ 1,653	\$ 1,609	\$ 5,125	\$ 3,536
General and administrative	2,039	2,214	5,988	4,228
Total	<u>\$ 3,692</u>	<u>\$ 3,823</u>	<u>\$ 11,113</u>	<u>\$ 7,764</u>

Stock based compensation for the nine months ended September 30, 2020 includes \$0.1 million of expense related to awards accounted for as liability awards.

## 11. Net Loss per Common Share

Basic net loss per share is calculated by dividing net loss by the weighted-average number of shares outstanding for the period. Diluted net loss per share is calculated by dividing net loss by the weighted-average number of shares of common stock and potential dilutive common stock equivalents outstanding during the period if the effect is dilutive.

The calculation of diluted earnings (loss) per share also requires that, to the extent contingencies are satisfied during the period and the presumed issuance of additional shares as contingent consideration is dilutive to earnings (loss) per share for the period, adjustments to net income or net loss used in the calculation are required to remove the change in fair value of the contingent consideration liability for the period. Likewise, adjustments to the denominator are required to reflect the related dilutive shares. In all periods presented, the Company's outstanding stock options, RSUs (including PSUs), early exercised common stock subject to future vesting, restricted stock accounted for as options, shares subject to the 2018 ESPP and presumed issuance of additional shares as contingent consideration were excluded from the calculation of diluted net loss per share because their effects were antidilutive.

A reconciliation of the numerators and denominators used in computing net loss from continuing operations per share is as follows (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net loss	\$ (27,552)	\$ (21,710)	\$ (74,257)	\$ (64,150)
Denominator:				
Weighted-average number of shares outstanding—basic and diluted	52,482,200	42,965,945	49,926,396	42,584,835
Net loss per share—basic and diluted	<u>\$ (0.52)</u>	<u>\$ (0.51)</u>	<u>\$ (1.49)</u>	<u>\$ (1.51)</u>

Since the Company was in a net loss position for all periods presented, basic net loss per common share is the same as diluted net loss per common share as the inclusion of all potential common shares outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	September 30,	
	2020	2019
Options to purchase common stock	9,212,792	6,870,903
Early exercised common stock subject to future vesting	66,741	207,184
RSUs	3,685,769	—
Shares subject to 2018 ESPP	68,188	51,970
Total	<u>13,033,490</u>	<u>7,130,057</u>

Up to 89,900 shares may be contingently issued, if certain performance conditions are met under the Company's in-licensing agreements. See Note 5, "License Agreements," to our condensed financial statements for additional information.

## 12. Subsequent Events

In October 2020, the Company initiated a Phase 1 safety and tolerability study of UBX1325 in patients with diabetic macular edema.

As a result of the first patient dosed in the UBX1325 study, the Company triggered a milestone payment of \$1.0 million, which the Company has elected to settle in shares of the Company's common stock to Ascentage Pharma. The payment will be recognized as research and development expense in the statement of operations and comprehensive loss during the quarter ended December 31, 2020.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following management's discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto for the year ended December 31, 2019.*

### Overview

We are a biotechnology company engaged in researching and developing therapeutics to slow, halt or reverse diseases of aging. Our initial focus is on creating senolytic medicines to selectively eliminate senescent cells and thereby treat diseases of aging, such as ophthalmologic and neurologic diseases.

In July 2020, we filed an Investigational New Drug application, or IND, to commence a Phase 1 study of UBX1325 in patients with diabetic macular edema, or DME. UBX1325 is a senolytic, small molecule inhibitor of the anti-apoptotic Bcl-2 family member, Bcl-xL. We initiated a Phase 1 clinical study of UBX1325 and dosed the first patient in October 2020 and expect to obtain initial results from this study in the first half of 2021. The overall clinical program is directed at multiple age-related diseases of the eye, including diabetic retinopathy and age-related macular degeneration, as well as DME. However, the impact of the COVID-19 pandemic on the timing of study enrollment, visit adherence and completions is hard to assess due to the rapidly evolving nature of the situation and it is possible that the study enrollment, visit adherence and completion may be delayed.

On August 17, 2020, we announced the 12-week results from our Phase 2 study of UBX0101 in patients with moderate-to-severe painful osteoarthritis, or OA of the knee. There was no statistically significant difference between any arm of UBX0101 and placebo at the 12-week primary endpoint of the study. Given these results, we do not anticipate progressing UBX0101 into pivotal studies and will narrow our near-term focus to our ongoing ophthalmologic and neurologic disease programs.

In September 2020, our board of directors implemented a corporate restructuring to align our resources on cellular senescence programs in ophthalmology and neurology while further extending operating capital. The restructuring will result in an elimination of approximately 33 positions, or approximately 32% of our workforce, by December 31, 2020. We estimate that we will incur a one-time employee benefits and severance charge of approximately \$1.8 million in the year ended December 31, 2020. We expect these steps will extend our cash runway through mid-2022, and we project current cash and cash equivalents will fund key clinical data readouts for UBX1325 and any required IND-enabling studies for UBX1967.

Since the commencement of our operations, we have invested a significant portion of our efforts and financial resources in research and development activities, and we have incurred net losses each year since inception. Our net losses were \$74.3 million and \$64.2 million for the nine months ended September 30, 2020 and 2019, respectively. We do not have any products approved for sale, and we have never generated any revenue from contracts with customers. As of September 30, 2020, we had an accumulated deficit of \$319.7 million, and we do not expect positive cash flows from operations in the foreseeable future. We expect to continue to incur net operating losses for at least the next several years as we continue our research and development efforts, advance our drug candidates through preclinical and clinical development, seek regulatory approval, prepare for and, if approved, proceed to commercialization.

In August 2020 we entered into a Loan and Security Agreement, or the Loan Agreement, with Hercules Capital, Inc. and \$25.0 million dollars was advanced to us upon execution of the Loan Agreement. The milestones for the remaining tranches have not yet been reached and, as of September 30, 2020 are not expected to be reached as they were dependent, in whole or in part, upon the continued advancement in the clinical development of UBX0101 in patients with osteoarthritis of the knee. Starting in July 2021, we will be subject to a liquidity covenant requiring us to maintain unrestricted cash of at least \$15.0 million. We will make interest only payments through September 1, 2022, or extended to March 1, 2023 upon satisfaction of certain milestones, and will then repay the principal balance and interest in equal monthly installments through August 1, 2024.

Prior to entering the Loan Agreement, we have historically funded our operations primarily from the issuance and sale of convertible preferred stock and convertible promissory notes, as well as public equity issuances. On June 3, 2019, we entered into a sales agreement or, the June 2019 Sales Agreement, with Cowen and Company, LLC, or, Cowen, to sell shares of our common stock, from time to time, with aggregate gross sales proceeds of up to \$75.0 million through an at-the-market equity offering program under which Cowen acts as sales agent, or the ATM Offering Program. During the nine months ended September 30, 2020, we issued and sold 5,002,257 shares of our common stock through our ATM Offering Program and received net proceeds of approximately \$37.3 million, after deducting commissions and other offering expenses of \$1.3 million. On July 31, 2020, we entered into a second sales agreement, or the July 2020 Sales Agreement, with Cowen to sell an additional \$50.0 million of our shares of common stock through an additional at-the-market equity offering program, or the Additional ATM Offering Program in which Cowen will act as sales agent.

We do not expect to generate revenue from any drug candidates that we develop until we obtain regulatory approval for one or more of such drug candidates and commercialize our products or enter into collaborative agreements with third parties. Substantially all of our net losses have resulted from costs incurred in connection with our research and development programs and from general and administrative costs associated with our operations. As a result, we will need to raise additional capital. Adequate funding may not be available to us on acceptable terms, or at all, particularly in light of the current COVID-19 pandemic and associated economic uncertainty and potential for local and/or global economic recession. If sufficient funds on acceptable terms are not available when needed, we could be required to significantly reduce our operating expenses and delay, reduce the scope of, or eliminate one or more of our development programs.

We rely on third parties in the conduct of our preclinical studies and clinical trials and for manufacturing and supply of our drug candidates. We have no internal manufacturing capabilities, and we will continue to rely on third parties, many of whom are single-source suppliers, for our preclinical and clinical trial materials, as well as the commercial supply of our products. In addition, we do not yet have a marketing or sales organization or commercial infrastructure. Accordingly, we will incur significant expenses to develop a marketing and sales organization and commercial infrastructure in advance of generating any product sales.

### ***COVID-19 Update***

The COVID-19 pandemic has placed strains on the providers of healthcare services, including the healthcare institutions, clinical research organizations, or CROs, and Institutional Review Boards under whose auspices we conduct our clinical trials. These strains have resulted in limits on the initiation of new clinical trials, slowing or halting enrollment in existing trials and restrictions placed upon on-site monitoring activities of clinical trials. Prior to the completion of our Phase 2 and Phase 1b UBX0101 clinical studies, we amended the clinical study protocols to enable remote data collection for clinical sites that were limited in their ability to conduct study visits in person, for either site or patient safety reasons. We also instituted remote data source verification procedures to limit the extent that on-site monitoring was required.

Although one of the manufacturers in our supply chain for UBX0101 experienced a two-week shutdown in April 2020 due to a COVID-19 related incident and there have been some delays in shipments due to a reduction in overall flights, neither of these factors impacted our supply of UBX0101 prior to our shutting down development of such program. There have been no other disruptions in our supply chain of drug manufacturers necessary to conduct our clinical trials and we believe we have sufficient supply of drug inventories to complete our Phase 1 study of UBX1325 in ophthalmologic disease.

Several of the CROs that provide preclinical services to us are based in China and India and experienced temporary shutdowns in February and March due to government mandates. In each case we were able to reassign the balance of activities to other CROs and the shutdowns did not impact our preclinical timelines. CROs based in the United States that provide preclinical services are experiencing heavy demand which may impact their ability to start new studies and could lead to delays in the commencement of our preclinical studies. Several of our U.S.-based academic research partners have also experienced shutdowns which has slowed progress on several early stage projects, none of which impacted preclinical timelines.

In late February 2020, we created an internal, cross-functional COVID-19 Response Team to closely monitor the evolving situation and manage our response. In alignment with public health guidance designed to slow the spread of COVID-19, beginning in mid-March 2020, we implemented a reduced onsite staffing model and transitioned to a remote work plan for all employees other than those providing essential services. For our onsite

employees, we have implemented heightened health and safety measures designed to comply with applicable federal, state and local guidelines in response to the COVID-19 pandemic. We are further supporting all of our employees by leveraging virtual meeting technology and encouraging employees to follow local health authority guidance. We may need to undertake additional actions that could impact our operations if required by applicable laws or regulations or if we determine to be in the best interests of our employees.

## **Components of Our Results of Operations**

### ***Research and Development Expenses***

Research and development expenses consist primarily of costs incurred for the development of our drug candidates, which include:

- personnel-related expenses, including salaries, benefits, severance and stock-based compensation for personnel contributing to research and development activities;
- laboratory expenses including supplies and services;
- clinical trial expenses;
- expenses incurred under agreements with third-party contract manufacturing organizations, contract research organizations, research and development service providers, academic research institutions, and consultants;
- expenses related to license and sponsored research agreements; and
- facilities and other allocated expenses, including expenses for rent and facilities maintenance, and depreciation and amortization.

### ***General and Administrative Expenses***

We expect our research and development expenses to increase as we advance our drug candidates into and through preclinical and clinical trials and pursue regulatory approval of our drug candidates. The process of conducting the clinical trials required to obtain regulatory approval is costly and time-consuming. Clinical trials generally become larger and more costly to conduct as they advance into later stages and we are required to make estimates for expense accruals related to clinical trial expenses. The actual probability of success for our drug candidates may be affected by a variety of factors including: the safety and efficacy of our drug candidates, early clinical data, investment in our clinical program, the ability of collaborators, if any, to successfully develop any drug candidates we license to them, competition, manufacturing capability and commercial viability. We may never succeed in achieving regulatory approval for any of our drug candidates. Program costs that are direct external expenses are tracked on a program-by-program basis once they enter clinical studies. As a result of the uncertainties discussed above, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of our drug candidates.

Our general and administrative expenses consist primarily of personnel costs, allocated facilities costs and other expenses for outside professional services, including legal, audit and accounting services, and depreciation and amortization expense related to property and equipment. Personnel costs consist of salaries, benefits, severance and stock-based compensation. We expect to continue to incur additional expenses associated with operating as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission and standards applicable to companies listed on a national securities exchange, additional insurance expenses, investor relations activities and other administrative and professional services.

### ***Change in Fair Value of Contingent Consideration***

Certain of our license agreements include contingent consideration in the form of additional issuances of our common stock based on the achievement of certain milestones. For asset acquisitions, we assess whether such contingent consideration obligation meets the definition of a derivative and/or can be equity classified, until such

time that the contingency or equity classification criteria is met or expires. In prior periods, we have recorded a liability related to contingent consideration as the net settlement criteria of the definition of a derivative had been met and equity classification criteria had not been met. The derivative related to this contingent consideration is measured at fair value as of each balance sheet date with the related change in fair value being reflected in operating results. Gains or losses on contingent consideration expense is driven by changes in the estimated fair value of the liability, which is determined using a probability-weighted valuation approach model that reflects the probability and timing of future issuances of our common shares.

### **Interest Income**

Interest income is primarily related to interest earned on our marketable securities for the nine months ended September 30, 2020 and 2019.

### **Interest Expense**

Interest expense relates to interest on the Loan Agreement entered into during the three months ended September 30, 2020.

### **Other Income (Expense), Net**

We held an equity investment in an entity called Ascentage Pharma Group International, or Ascentage International, an affiliate of a Hong Kong-based clinical-stage biopharmaceutical company called Ascentage Pharma Group Corp. Limited. In October 2019, Ascentage International completed an initial public offering of shares of its common stock on the Hong Kong Stock Exchange. Following the initial public offering, the underlying nature of our investment in Ascentage International changed and met the definition of an investment in an equity security with a readily determinable fair value to be measured at fair value on a recurring basis, based on quoted stock price available on the Hong Kong Stock Exchange. During the three months ended September 30, 2020, we sold our remaining equity investment in Ascentage International. Other income (expense), net, includes the recognized gains and losses resulting from the sale of the investment in this equity security and the previous changes in fair value.

## **Results of Operations**

### **Comparison of the Three and Nine Months Ended September 30, 2020 and 2019**

The following table sets forth the significant components of our results of operations (in thousands):

	<b>Three Months Ended September 30,</b>			<b>Nine Months Ended September 30,</b>		
	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>Summary of Operations Data:</b>						
<b>Operating expenses:</b>						
Research and development	\$ 18,830	\$ 17,777	\$ 1,053	\$ 54,218	\$ 52,750	\$ 1,468
General and administrative	6,530	5,692	838	18,803	15,139	3,664
Change in fair value of contingent consideration	(718)	(1,115)	397	(33)	(1,327)	1,294
Impairment of long-lived assets	—	—	—	2,159	—	2,159
<b>Total operating expenses</b>	<b>24,642</b>	<b>22,354</b>	<b>2,288</b>	<b>75,147</b>	<b>66,562</b>	<b>8,585</b>
Loss from operations	(24,642)	(22,354)	(2,288)	(75,147)	(66,562)	(8,585)
Interest income	226	756	(530)	1,093	2,663	(1,570)
Interest expense	(499)	—	(499)	(499)	—	(499)
Other income (expense), net	(2,637)	(112)	(2,525)	296	(251)	547
<b>Net loss</b>	<b>\$ (27,552)</b>	<b>\$ (21,710)</b>	<b>\$ (5,842)</b>	<b>\$ (74,257)</b>	<b>\$ (64,150)</b>	<b>\$ (10,107)</b>

### ***Research and Development***

Research and development expenses increased by \$1.0 million, to \$18.8 million for the three months ended September 30, 2020 from \$17.8 million for the three months ended September 30, 2019. The increase was primarily due to a net increase of \$1.3 million in personnel costs primarily due to accrued severance from our corporate restructuring, an increase of \$0.4 million in facilities-related costs, partially offset by a net decrease of \$0.7 million in direct research and development expenses.

Research and development expenses increased by \$1.5 million, to \$54.2 million for the nine months ended September 30, 2020 from \$52.8 million for the nine months ended September 30, 2019. The increase was primarily due to increases of \$3.0 million in personnel-related costs, of which \$1.6 million was related to non-cash stock-based compensation expense and \$1.3 million was related to accrued severance due to our corporate restructuring, and \$2.7 million in facilities-related costs offset by a net decrease of \$2.8 million in direct research and development expenses and a decrease of \$1.5 million in laboratory supplies.

### ***General and Administrative***

General and administrative expenses increased by \$0.8 million, to \$6.5 million for the three months ended September 30, 2020 from \$5.7 million for the three months ended September 30, 2019. The increase was primarily due to increases of \$0.3 million in professional and consultant fees, \$0.2 million in personnel costs primarily due to accrued severance from our corporate restructuring, and \$0.2 million in facilities-related costs.

General and administrative expenses increased by \$3.7 million, to \$18.8 million for the nine months ended September 30, 2020 from \$15.1 million for the nine months ended September 30, 2019. The increase was primarily due to increases of \$2.3 million in personnel-related expenses, of which \$1.8 million was related to non-cash stock-based compensation and \$0.3 million was related to accrued severance due to our corporate restructuring, \$0.6 million in facilities-related costs, \$0.4 million in insurance expense and \$0.3 million in professional fees.

### ***Change in Fair Value of Contingent Consideration***

Change in fair value of contingent consideration was \$0.7 million for the three months ended September 30, 2020, and immaterial for the nine months ended September 30, 2020. During the third quarter we issued shares as a result of meeting a contractual milestone. Additionally, we made changes to the related contracts, which resulted in there being no contingent consideration liability at September 30, 2020. Change in fair value of contingent consideration was \$1.1 million and \$1.3 million for the three and nine months ended September 30, 2019, respectively. The change in the fair value of contingent consideration during the three and nine months ended September 30, 2019 was primarily due to changes in assumptions, including probabilities and our stock price used to calculate the fair value of the liability.

### ***Impairment of Long-Lived Assets***

Impairment charges for the nine months ended September 30, 2020 consisted of impairment of long-lived assets. On February 1, 2020, we evaluated the right-of-use asset and related leasehold improvements upon exit of our former headquarters located in Brisbane, California, and recorded an impairment charge of \$2.2 million.

### ***Interest Income***

Our interest income was \$0.2 million for the three months ended September 30, 2020 as compared to \$0.8 million for the three months ended September 30, 2019. Interest income is earned from our funds invested in cash equivalents and marketable securities. The decrease for the three months ended September 30, 2020 is primarily attributable to lower market yields on the Company's cash equivalents and marketable securities.

Our interest income was \$1.1 million for the nine months ended September 30, 2020 as compared to \$2.7 million for the nine months ended September 30, 2019. The decrease for the nine months ended September 30, 2020 is primarily attributable to lower market yields on the Company's cash equivalents and marketable securities.

### ***Interest Expense***

Our interest expense was \$0.5 million for the three months ended September 30, 2020 related to the Loan Agreement.



### ***Other Income (Expense), Net***

Other expense, net, was \$2.6 million for the three months ended September 30, 2020 as compared to \$0.1 million for the three months ended September 30, 2019. The change of \$2.5 million was primarily due to loss from the remeasurement of our equity investment to fair value on the date of sale. We received \$6.0 million of proceeds from the sale of the equity investment. Our original cost basis was \$1.0 million.

Other income, net, was \$0.3 million for the nine months ended September 30, 2020 as compared to other expense, net, of \$0.3 million for the nine months ended September 30, 2019. The change was primarily due to the changes in fair value of our equity investment in Ascentage International.

### **Liquidity, Capital Resources and Capital Requirements**

#### ***Sources of Liquidity***

We have incurred net losses each year since inception. We do not have any products approved for sale and have never generated any revenue from product sales. Historically, we have incurred operating losses as a result of ongoing efforts to develop our drug candidates, including conducting ongoing research and development, preclinical studies and providing general and administrative support for these operations. As of September 30, 2020, we had an accumulated deficit of \$319.7 million, and we do not expect positive cash flows from operations in the foreseeable future. We expect our operating losses and net cash used in operating activities will increase over at least the next several years as we continue our research and development activities, advance our drug candidates through preclinical and clinical testing and move into later and more costly stages of drug development, hire personnel and prepare for regulatory submissions and the commercialization of our drug candidates.

We have historically financed our operations primarily through private placements of preferred stock and promissory notes, public equity issuances and more recently through our ATM Offering Program and will continue to be dependent upon equity and/or debt financing until we are able to generate positive cash flows from our operations.

On August 3, 2020, we entered into the Loan Agreement with Hercules Capital, Inc. pursuant to a term loan, subject to certain terms and conditions. \$25.0 million dollars was advanced to us on the date of execution of the Loan Agreement. The milestones for the remaining tranches have not yet been reached and, as of September 30, 2020 are not expected to be reached as they were dependent, in whole or in part, upon on the continued advancement in the clinical development of UBX0101 in patients with osteoarthritis of the knee. We will make interest only payments through September 1, 2022, or extended to March 1, 2023 upon satisfaction of certain milestones, and will then repay the principal balance and interest in equal monthly installments through August 1, 2024.

In June 2019, we filed a Registration Statement on Form S-3, or the Shelf Registration Statement, covering the offering of up to \$250.0 million of common stock, preferred stock, debt securities, warrants and units. The Shelf Registration Statement included an initial prospectus covering the offering, issuance and sale of up to \$75.0 million of our common stock from time to time through the ATM Offering Program. The SEC declared the Shelf Registration Statement effective in June 2019. In June 2019, we also entered into a sales agreement with Cowen or the June 2019 Sales Agreement, pursuant to which we may sell from time to time, at our option, up to \$75.0 million of our common stock through the ATM Offering Program under which Cowen acts as sales agent. During the nine months ended September 30, 2020, we issued and sold 5,002,257 shares of our common stock through our ATM Offering Program and received net proceeds of approximately \$37.3 million, after deducting commissions and other offering expenses of \$1.3 million. As of September 30, 2020, common stock valued at approximately \$9.0 million remained available to be sold under our ATM Offering Program.

In July 2020, we filed an additional prospectus supplement to the Shelf Registration Statement, covering the offering, issuance and sale of up to an additional \$50.0 million of the Company's common stock from time to time through an additional "at-the-market" offering under the Securities Act of 1933, as amended, or the Additional ATM Offering Program. On July 31, 2020, we entered into a second sales agreement with Cowen, or the July 2020 Sales Agreement, to sell an additional \$50.0 million of our shares of common stock through the Additional ATM

Offering Program in which Cowen acts as sales agent. As of September 30, 2020, there have been no shares sold under the Additional ATM Offering Program.

### ***Future Funding Requirements***

To date we have not generated any revenue from contracts with customers and have received a contribution from a third-party organization for certain research and development activities to support their philanthropic mission. We expect to continue to incur significant losses for the foreseeable future, and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, our drug candidates, and begin to commercialize any approved products. We are subject to all of the risks typically related to the development of new drug candidates, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. Moreover, since becoming a public company, we continue to incur additional ongoing costs associated with operating as a public company. We anticipate that we will need substantial additional funding in connection with our continuing operations.

Until we can generate a sufficient amount of revenue from the commercialization of our drug candidates or from collaborative agreements with third parties, if ever, we expect to finance our future cash needs through various means. Additional capital may be raised through the sale of our equity securities, incurring debt, entering into licensing or collaboration agreements with partners, receiving research contributions, grants or other sources of financing to fund our operations. There can be no assurance that sufficient funds will be available to us on attractive terms or at all, particularly in light of the current COVID-19 pandemic and associated economic uncertainty and potential for local and/or global economic recession. If we are unable to obtain additional funding from these or other sources, it may be necessary to significantly reduce our rate of spending through reductions in staff and delaying, scaling back, or stopping certain research and development programs. Insufficient liquidity may also require us to relinquish rights to drug candidates at an earlier stage of development or on less favorable terms than we would otherwise choose.

Since our inception, we have incurred significant losses and negative cash flows from operations. We have an accumulated deficit of \$319.7 million through September 30, 2020. We expect to incur substantial additional losses in the future as we conduct and expand our research and development activities. We believe that our existing cash, cash equivalents and marketable securities will be sufficient to enable us to fund our projected operations through at least the next 12 months. Based on our current operating plans, we expect our existing capital resources will fund our planned operating expenses into mid-2022, which is expected to fund key clinical data readouts for UBX1325 and any required IND-enabling studies for UBX1967.

We have based our projections of operating capital requirements on assumptions that may prove to be incorrect and we may use all our available capital resources sooner than we expect. Because of the numerous risks and uncertainties associated with research, development and commercialization of biotechnology products, we are unable to estimate the exact amount of our operating capital requirements. Our future funding requirements will depend on many factors, including, but not limited to:

- the scope, progress, results and costs of researching and developing our drug candidates, and conducting preclinical studies and clinical studies, including our ongoing Phase 1 safety and tolerability study of UBX1325, which we recently initiated, and our additional planned clinical studies in our ophthalmology program;
- the timing of, and the costs involved in, obtaining regulatory approvals for our lead drug candidates or any future drug candidates;
- potential delays in or cost increases associated with our ongoing or planned preclinical studies or clinical trials as a result of the COVID-19 pandemic;
- the number and characteristics of any additional drug candidates we develop or acquire;
- the timing and amount of any milestone payments we are required to make pursuant to our license agreements;

- the cost of manufacturing our lead drug candidates or any future drug candidates and any products we successfully commercialize;
- the cost of building a sales force in anticipation of product commercialization;
- the cost of commercialization activities if our lead drug candidates or any future drug candidates are approved for sale, including marketing, sales and distribution costs;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of any such agreements, including the timing and amount of any future milestone, royalty or other payments due under any such agreement;
- any product liability or other lawsuits related to our products;
- the expenses needed to attract, hire and retain skilled personnel;
- the costs associated with being a public company;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing our intellectual property portfolio; and
- the timing, receipt and amount of sales of any future approved or cleared products, if any.

## Cash Flows

The following table sets forth a summary of the primary sources and uses of cash, cash equivalents and restricted cash for each of the periods presented below (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Cash used in operating activities	\$ (61,619)	\$ (56,730)
Cash provided by investing activities	9,367	72,425
Cash provided by financing activities	63,360	6,570
Net increase in cash, cash equivalents and restricted cash	<u>\$ 11,108</u>	<u>\$ 22,265</u>

## Operating Activities

Cash used in operating activities of \$61.6 million for the nine months ended September 30, 2020 consisted primarily of a net loss of \$74.3 million, adjusted for net non-cash charges of \$15.0 million and changes in net operating assets and liabilities of \$2.3 million. Our non-cash charges consisted primarily of \$11.1 million in stock-based compensation, \$2.6 million in depreciation and amortization, \$2.2 million in impairment charges pertaining to leasehold improvements and right of use assets in the Company's former offices and \$0.2 million amortization of debt issuance costs and premium and discounts on marketable securities, partially offset by \$0.6 million in non-cash rent expense and a \$0.5 million change in fair value of our strategic investment. The net change in our operating assets and liabilities consisted primarily of decreases of \$1.0 million in accounts payable and \$0.4 million in accrued and other current liabilities and an increase of \$1.5 million in prepaid expenses and other current assets, offset by a decrease of \$0.6 million in other long-term assets.

Cash used in operating activities of \$56.7 million for the nine months ended September 30, 2019 consisted primarily of a net loss of \$64.2 million, adjusted for net non-cash charges of \$7.4 million and partially offset by an immaterial decrease in net operating assets and liabilities. Our non-cash charges consisted primarily of \$7.8 million in stock-based compensation, \$1.9 million in depreciation and amortization, and \$1.0 million in common stock granted to a third party, offset by \$1.0 million in amortization of premium and discounts on marketable securities, \$0.9 million in accretion of our tenant improvement allowance, and \$1.3 million change in fair value of contingent consideration liability associated with our two license agreements and our compound library and option agreement. The net change in our operating assets and liabilities consisted primarily of a combined decrease of \$1.0 million in accounts payable, accrued compensation and accrued and other current liabilities, and an increase of \$0.5 million in

prepaid expenses and other current assets, offset by an increase of \$1.4 million in deferred rent, net of current portion.

### ***Investing Activities***

Cash provided by investing activities of \$9.4 million for the nine months ended September 30, 2020 was related to maturities of marketable securities of \$96.8 million and \$6.0 million from the sales of our strategic investment, which were offset by purchases of marketable securities of \$93.0 million and property and equipment of \$0.5 million.

Cash provided by investing activities of \$72.4 million for the nine months ended September 30, 2019 was related to maturities of marketable securities of \$163.6 million, which were offset by purchases of marketable securities of \$90.2 million and purchases of property and equipment of \$1.0 million.

### ***Financing Activities***

Cash provided by financing activities of \$63.4 million for the nine months ended September 30, 2020 was primarily related to \$37.3 million in proceeds from the sale of common stock through our ATM Offering Program, net of issuance costs, \$24.2 million proceeds from long-term debt, net of issuance costs, \$1.2 million proceeds from issuance of common stock upon exercise of stock options, net of repurchases, \$0.4 million proceeds from issuance of common stock under the 2018 ESPP and \$0.4 million proceeds from the repayment of recourse notes from an employee.

Cash provided by financing activities of \$6.6 million for the nine months ended September 30, 2019 was related to \$5.4 million in proceeds from the sale of common stock through our ATM Offering Program, net of issuance costs, \$0.8 million proceeds from issuance of common stock upon exercise of stock options, net of repurchases and \$0.4 million proceeds from issuance of common stock under the 2018 ESPP.

### **Contractual Obligations and Other Commitments**

Our contractual obligations and commitments relate primarily to our Loan Agreement, operating leases and non-cancelable purchase obligations under agreements with various research and development organizations and suppliers in the ordinary course of business. In February 2019, we entered into a lease agreement for new office and laboratory space in South San Francisco, California. See Note 6, "Commitments and Contingencies" and Note 7, "Term Loan Facility," to our condensed financial statements for further information.

We are party to various license agreements pursuant to which we have in-licensed rights to various technologies, including patents, research "know-how" and proprietary research tools, for the discovery, research, development and commercialization of drug candidates to treat diseases of aging. The license agreements obligate us to make certain milestone payments related to specified clinical development and sales milestone events, as well as tiered royalties in the low-single digits based on sales of licensed products. See Note 5, "License Agreements," to our condensed financial statements for additional information.

### **Indemnification**

In the normal course of business, we enter into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. Our exposure under these agreements is unknown because it involves claims that may be made against us in the future but have not yet been made. To date, we have not paid any claims or been required to defend any action related to our indemnification obligations. However, we may record charges in the future as a result of these indemnification obligations.

In accordance with our certificate of incorporation and bylaws, we have potential indemnification obligations to our officers and directors for specified events or occurrences, subject to some limits, while they are serving at our request in such capacities. There have been no claims to date, and we have director and officer insurance that may enable us to recover a portion of any amounts paid for future potential claims.

## **Off-Balance Sheet Arrangements**

We have not entered into any off-balance sheet arrangements.

## **Critical Accounting Policies and Estimates**

There have been no material changes to our critical accounting policies and estimates during the nine months ended September 30, 2020 as compared to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, other than as provided in Note 2 to our condensed financial statements, “Summary of Significant Accounting Policies.”

## **Recent Accounting Pronouncements**

See Note 2 to our condensed financial statements, “Summary of Significant Accounting Policies,” for information.

## **JOBS Act Accounting Election**

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We also rely on other exemptions provided by the JOBS Act, including, without limitation, providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act. We will remain an emerging growth company until the earlier of (1) the last day of the year following the fifth anniversary of the consummation of our IPO, (2) the last day of the year in which we have total annual gross revenue of at least \$1.07 billion, (3) the last day of the year in which we are deemed to be a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeded \$700.0 million as of the last business day of the second fiscal quarter of such year or (4) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period. Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” which may allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rate sensitivities, which are affected by changes in interest rates, including interest rate changes resulting from the effects of the COVID-19 pandemic. We had cash, cash equivalents and marketable securities of \$132.2 million as of September 30, 2020, which consist of bank deposits, money market funds, and marketable securities. The primary objective of our investment activities is to preserve capital to fund our operations. We also seek to maximize income from our investments without assuming significant risk. Because our investments are primarily short-term in duration, we believe that our exposure to interest rate risk is not significant, and a 1% movement in market interest rates would not have a significant impact on the total value of our portfolio.

As of September 30, 2020, the outstanding principal amount of the term loan was \$25.0 million. The interest payments under our term loans may be subject to interest rate risk and our interest expense could increase if market interest rates increase. The interest on the term loans accrue at a per annum rate of the greater of (i) the Wall Street Journal prime rate plus 6.10% and (ii) 9.35%. Accordingly, increases in these published rates would increase our interest payments under the term loan. The rate at September 30, 2020 was 9.35%. A hypothetical 1% change in interest rates would increase expense by approximately \$0.8 million annually and would not have a material impact on our results of operations.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive and financial officers, evaluated the effectiveness of our disclosures controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of September 30, 2020. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2020, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

#### **Changes in Internal Control over Financial Reporting**

Management determined that, as of September 30, 2020, there were no changes in our internal control over financial reporting that occurred during the fiscal quarter then ended that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are not currently a party to any material litigation or other material legal proceedings.

### Item 1A. Risk Factors

This Quarterly Report on Form 10-Q contains forward-looking information based on our current expectations. Because our business is subject to many risks and our actual results may differ materially from any forward-looking statements made by or on behalf of us, this section includes a discussion of important factors that could affect our business, operating results, financial condition and the trading price of our common stock. Many of the following risks and uncertainties are, and will be, exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result. This discussion should be read in conjunction with our condensed financial statements as of September 30, 2020 and our financial statements as of December 31, 2019 contained in our Annual Report on Form 10-K for the year ended December 31, 2019 and the notes accompanying those financial statements.

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

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

We are a clinical-stage biopharmaceutical company with a limited operating history. Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk. We have not yet sought approval for commercial sale of any products and therefore have no products approved for commercial sale and have not generated any revenue from contracts with customers and have incurred losses in each year since our inception in March 2009. We have only a limited operating history upon which you can evaluate our business and prospects. In addition, we have limited experience and have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the biopharmaceutical industry. We completed a Phase 1 and Phase 2 clinical study of UBX0101, a senolytic small molecule inhibitor of the MDM2/p53 protein-protein interaction, in patients with osteoarthritis, or OA. On August 17, 2020, we announced the 12-week results from our Phase 2 study of UBX0101 in patients with moderate-to-severe painful OA of the knee. There was no statistically significant difference between any arm of UBX0101 and placebo at the 12-week primary endpoint for change from baseline in WOMAC-A, an established measurement of pain in OA. Given these results, we do not anticipate progressing UBX0101 into pivotal studies and will narrow our near-term focus to our ongoing ophthalmologic and neurologic disease programs. In the third quarter of 2020, we initiated a Phase 1 study of UBX1325 in patients with diabetic macular edema.

We have had significant operating losses since our inception. Our net loss for the nine months ended September 30, 2020 and 2019 was approximately \$74.3 million and \$64.2 million, respectively. As of September 30, 2020, we had an accumulated deficit of \$319.7 million. Substantially all of our losses have resulted from expenses incurred in connection with our research and development programs and from general and administrative costs associated with our operations. We expect to continue to incur losses for the foreseeable future, and we anticipate these losses will increase as we continue to develop our drug candidates, conduct clinical studies and pursue research and development activities. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' equity and working capital.

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

Since our inception, we have invested a significant portion of our efforts and financial resources in research and development activities. Preclinical studies and clinical studies for our drug candidates and additional research and development activities to discover and develop new drug candidates will require substantial funds to complete. As of

September 30, 2020, we had capital resources consisting of cash, cash equivalents, and marketable securities of \$132.2 million. We believe that we will continue to expend substantial resources for the foreseeable future in connection with the preclinical and clinical development of our drug candidates, and the discovery and/or development of any other drug candidates we may choose to pursue. These expenditures will include costs associated with conducting preclinical studies and clinical studies, obtaining regulatory approvals, and manufacturing and supply, as well as marketing and selling any products approved for sale. In addition, other unanticipated costs may arise. Because the outcome of any preclinical study or clinical study is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our lead drug candidates or any future drug candidates.

We believe that our existing cash, cash equivalents and marketable securities will be sufficient to enable us to fund our projected operations through at least the next 12 months. However, our operating plans may change as a result of many factors currently unknown to us, and we may need to seek additional funds sooner than planned, through public or private equity or debt financings or other sources, such as strategic collaborations. Such financing may result in dilution to stockholders, the imposition of burdensome debt covenants and repayment obligations, or other restrictions that may affect our business. Adequate funding may not be available to us on acceptable terms, or at all, particularly in light of the current COVID-19 pandemic and associated economic uncertainty and potential for local and/or global economic recession. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

Our future capital requirements depend on many factors, including:

- the scope, progress, results and costs of researching and developing our drug candidates, and conducting preclinical studies and clinical studies, including our ongoing Phase 1 safety and tolerability study of UBX1325, which we recently initiated, and our additional planned clinical studies in our ophthalmology program;
- the timing of, and the costs involved in, obtaining regulatory approvals for our lead drug candidates or any future drug candidates;
- potential delays in or an increase in costs associated with our ongoing or planned preclinical studies or clinical trials as a result of the COVID-19 pandemic;
- the number and characteristics of any additional drug candidates we develop or acquire;
- the timing and amount of any milestone payments we are required to make pursuant to our license agreements;
- the cost of manufacturing our lead drug candidates or any future drug candidates and any products we successfully commercialize;
- the expenses needed to attract, hire and retain skilled personnel;
- the cost of building a sales force in anticipation of product commercialization;
- the cost of commercialization activities if our lead drug candidates or any future drug candidates are approved for sale, including marketing, sales and distribution costs;
- our ability to maintain existing, and establish new, strategic collaborations, licensing or other arrangements and the financial terms of any such agreements, including the timing and amount of any future milestone, royalty or other payments due under any such agreement;
- any product liability or other lawsuits related to our products;
- the costs associated with being a public company;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing our intellectual property portfolio; and



- the timing, receipt and amount of sales of any future approved products, if any.

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to:

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

We also could choose or be required to seek funds through arrangements with collaborators or others that may require us to relinquish rights to some of our technologies or drug candidates that we would otherwise pursue on our own. We do not expect to realize revenue from sales of products or royalties from licensed products in the foreseeable future, if at all, and unless and until our drug candidates are clinically tested, approved for commercialization and successfully marketed. To date, we have primarily financed our operations through the sale of debt and equity securities. We will be required to seek additional funding in the future and currently intend to do so through collaborations, public or private equity offerings or debt financings, credit or loan facilities or a combination of one or more of these funding sources. Our ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond our control. For example, financial markets have been negatively impacted by the COVID-19 pandemic and associated economic uncertainty, and such impact may be exacerbated as the COVID-19 pandemic evolves or by other unforeseen events or public health emergencies. Additional funds may not be available to us on acceptable terms or at all. If we raise additional funds by issuing equity securities, our stockholders will suffer dilution and the terms of any financing may adversely affect the rights of our stockholders. In addition, as a condition to providing additional funds to us, future investors may demand, and may be granted, rights superior to those of existing stockholders. Debt financing, if available, is likely to involve restrictive covenants limiting our flexibility in conducting future business activities, and, in the event of insolvency, debt holders would be repaid before holders of our equity securities received any distribution of our corporate assets.

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

We plan to continue to develop a pipeline of drug candidates to slow, halt or reverse diseases of aging. Our clinical development strategy is initially focused on the development of senolytic medicines designed to be administered locally into diseased tissue and we are currently advancing programs in ophthalmologic disorders. We are also in the early stages of developing senolytic medicines that could be administered systemically to treat additional diseases of aging, such as neurodegenerative disease.

We seek to maintain a process of prioritization and resource allocation among our programs to maintain a balance between aggressively advancing lead programs in identified indications and exploring additional indications and/or mechanisms related to diseases of aging. However, due to the significant resources required for the development of our drug candidates, we must focus on specific diseases and disease pathways and decide which drug candidates to pursue and the amount of resources to allocate to each. In response to the COVID-19 pandemic, we implemented a reduced onsite staffing model in mid-March 2020, and as the COVID-19 pandemic evolves we may be required to take additional actions that impact the prioritization of programs as required by applicable laws or regulations, or which we determine to be in the best interest of our employees.

Our near-term objective is to demonstrate in our clinical studies that local treatment with senolytic molecules can alter the course of diseases of aging. To accomplish this goal, we completed an Investigational New Drug application, or IND-enabling non-clinical toxicology studies with UBX1325, a senolytic, small molecule inhibitor of the anti-apoptotic Bcl-2 family member, Bcl-xL in the third quarter of 2020. We initiated a Phase 1 clinical study of UBX1325 in October 2020 and, assuming clinical sites are able to recruit and retain investigators and study staff, and continue to enroll patients, and patients are able to complete all study visits, we expect to receive initial safety data results from the Phase 1 clinical study in the first half of 2021. However, the impact of the COVID-19

pandemic on the timing of study initiations, enrollment, visit adherence, and completions is hard to assess due the rapidly evolving nature of the situation and it is possible that the study enrollment, visit adherence and completion may be delayed.

Our decisions concerning the allocation of research, development, collaboration, management and financial resources toward particular drug candidates or therapeutic areas may not lead to the development of any viable commercial product and may divert resources away from better opportunities. Similarly, our potential decisions to delay, terminate or collaborate with third parties in respect of certain programs may subsequently also prove to be suboptimal and could cause us to miss valuable opportunities. If we make incorrect determinations regarding the viability or market potential of any of our programs or drug candidates or misread trends in the biopharmaceutical industry, particularly those segments focused on aging, our business, financial condition and results of operations could be materially adversely affected. As a result, we may fail to capitalize on viable commercial products or profitable market opportunities, be required to forego or delay pursuit of opportunities with other drug candidates or other diseases and disease pathways that may later prove to have greater commercial potential than those we choose to pursue, or relinquish valuable rights to such drug candidates through collaboration, licensing or other royalty arrangements in cases where it may have been more advantageous for us to invest additional resources to retain development and commercialization rights.

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

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

From time to time, we may also disclose interim data from our preclinical studies and clinical trials. Interim data from clinical trials that we may conduct are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Adverse differences between interim data and final data could significantly harm our business prospects. Further, disclosure of interim data by us or by our competitors could result in volatility in the price of our common stock.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product, our ability to make certain claims about our products, and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is material or otherwise appropriate information to include in our disclosure.

If the interim, top-line or preliminary data that we report differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, our product candidates may be harmed, which could harm our business, operating results, prospects or financial condition.

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

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

- the timing, cost and level of investment in research, development and, if approved, commercialization activities relating to our drug candidates, which may change from time to time;

- the timing and status of enrollment for our clinical studies;
- the cost of manufacturing our drug candidates, as well as building out our supply chain, which may vary depending on the quantity of production and the terms of our agreements with manufacturers;
- expenditures we may incur to acquire, develop or commercialize additional drug candidates and technologies;
- timing and amount of any milestone, royalty or other payments due under any collaboration or license agreement;
- future accounting pronouncements or changes in our accounting policies;
- the timing and success or failure of preclinical studies and clinical studies for our drug candidates or competing drug candidates, or any other change in the competitive landscape of our industry, including consolidation among our competitors or partners;
- the timing of receipt of approvals for our drug candidates from regulatory authorities in the United States, or U.S., and internationally;
- coverage and reimbursement policies with respect to our drug candidates, if approved, and potential future drugs that compete with our products;
- the level of demand for our products, if approved, which may vary significantly over time; and
- potential disruption caused by the COVID-19 pandemic or other unforeseen events and public health emergencies.

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

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

#### **Risks Related to Our Business**

***Our core therapeutic approach to slow, halt, or reverse diseases of aging is based on our understanding of cellular senescence. Utilizing senolytic molecules to treat diseases of aging is a novel therapeutic approach, which exposes us to unforeseen risks and makes it difficult to predict the time and cost of drug development and potential for regulatory approval.***

We are developing a pipeline of drug candidates to treat diseases of aging. Our foundational science and lead drug candidates are based on senescence biology. We believe that we can develop drug candidates capable of eliminating or modulating accumulated senescent cells, when administered locally. In our development efforts we intend to explore senolytic medicines that use multiple modalities. However, our approach to treating diseases of aging is novel and the scientific research that forms the basis of our efforts to develop senolytic medicines is ongoing. We have only recently begun testing our senolytic molecules in humans and the majority of our current data supporting our hypothesis regarding senescence biology is limited to pre-clinical animal models and *in vitro* cell lines, the results of which may not translate into humans. We currently have no conclusive evidence in humans, that the accumulation or modulation of senescent cells is the underlying cause of tissue damage and dysfunction associated with many diseases of aging. For example, in August 2020, we announced the 12-week results from our Phase 2 study of UBX0101 in patients with moderate-to-severe painful osteoarthritis or OA of the knee. There was no statistically significant difference between any arm of UBX0101 and placebo at the 12-week endpoint for change

from baseline in WOMAC-A, an established measurement of pain in OA. Given these results, we do not anticipate progressing UBX0101 into pivotal studies and decided not to pursue further development of this product candidate. We will narrow our near-term focus to our ongoing ophthalmologic and neurologic disease programs.

While cellular senescence is a naturally occurring biological process, the administration of senolytic medicines to eliminate or cause the elimination or modulation of accumulated senescent cells in humans has not been widely tested and may potentially harm healthy tissue or result in unforeseen safety events, or fail to achieve the intended therapeutic purpose entirely. We may also ultimately discover that our senolytic molecules do not possess certain properties required for therapeutic effectiveness, or that even if found to be effective in one type of tissue, that such molecules will be effective in other tissues. In addition, given the novel nature of this therapeutic approach, designing preclinical and clinical studies to demonstrate the effect of senolytic medicines is complex and exposes us to unforeseen risks. In addition, the scientific evidence to support the feasibility of developing systemic senolytic medicines is based primarily on preclinical data and not human clinical trials. We may spend substantial funds attempting to develop these drug candidates and never succeed in doing so.

No regulatory authority has granted approval for a senolytic medicine. As such, we believe the U.S. Food and Drug Administration, or the FDA, has limited experience with senescence, which may increase the complexity, uncertainty and length of the clinical development and regulatory approval process for our drug candidates. We may never receive approval to market and commercialize any drug candidate. Even if we obtain regulatory approval, the approval may be for targets, disease indications or patient populations that are not as broad as we intended or desired or may require labeling that includes significant use or distribution restrictions or safety warnings. We may be required to perform additional or unanticipated clinical studies to obtain approval or be subject to post-marketing testing requirements to maintain marketing authorization. If our other senolytic molecules prove to be ineffective, unsafe or commercially unviable, our entire senolytic platform and pipeline would have little, if any, value, which would have a material and adverse effect on our business, financial condition, results of operations and prospects.

***Our business is dependent on the successful development, regulatory approval, and commercialization of our drug candidates, all of which are in early stages of development and none of which have shown definitive efficacy in human subject.***

We have no products approved for sale and all of our drug candidates are in early stages of development. Additionally, following the 12-week results from our Phase 2 study of UBX0101 in patients with moderate to severe painful OA of the knee showed no statistically difference between UBX0101 and placebo for the primary endpoint of change we decided not to pursue further development of this product candidate. To advance our ophthalmology program, we completed IND-enabling studies, and in July 2020, we filed an IND for our lead drug candidate, UBX1325. We initiated a Phase 1 clinical study of UBX1325 in October 2020. However, the impact of the COVID-19 pandemic on the timing of study enrollment, visit adherence, and completions is hard to assess due the rapidly evolving nature of the situation and it is possible that the study enrollment, visit adherence and completion may be delayed.

UBX0101 and UBX1325 are the only drug candidates that we have administered to humans, and as such, we face significant translational risk with our drug candidates. We may also be required by the FDA or similar foreign regulatory agencies to conduct additional preclinical studies beyond those planned to support the commencement of additional clinical trials. For example, in preclinical studies, we observed that UBX1967 showed sustained exposure in ocular tissues of interest after intravitreal injection. After engaging the FDA regarding the design of IND-enabling studies for UBX1967, we determined that the duration of such preclinical studies would be longer than originally anticipated due to the extended exposure profile, delaying the commencement of our initial Phase 1 study for age-related eye diseases. In the second quarter of 2020, we decided to commence our initial Phase 1 clinical study in ophthalmology disease with UBX1325 in part because of its shorter exposure time.

The success of our business, including our ability to finance our company and generate any revenue in the future, will primarily depend on the successful development, regulatory approval and commercialization of drug candidates from our senolytic medicine pipeline. However, given our early stage of development, it may be many years, if we succeed at all, before we have demonstrated the safety and efficacy of a drug candidate sufficient to warrant approval for commercialization.

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

- our ability to raise any additional required capital on acceptable terms, or at all;
- our ability to complete IND-enabling studies and successfully submit an IND or comparable applications in foreign jurisdictions;
- timely completion of our preclinical studies and clinical studies, which may be significantly slower or cost more than we currently anticipate and will depend substantially upon the performance of third-party contractors, some of whom could be adversely impacted by unforeseen events such as pandemics and public health emergencies, such as the COVID-19 pandemic;
- whether we are required by the FDA or similar foreign regulatory agencies to conduct additional clinical studies or other studies beyond those planned to support the approval and commercialization of our drug candidates or any future drug candidates;
- acceptance of our proposed indications and primary endpoint assessments relating to the proposed indications of our drug candidates by the FDA and similar foreign regulatory authorities;
- our ability to demonstrate to the satisfaction of the FDA and similar foreign regulatory authorities the safety, efficacy and acceptable risk-to-benefit profile of our lead drug candidates or any future drug candidates;
- the prevalence, duration and severity of potential side effects or other safety issues experienced with our drug candidates or future approved products, if any;
- the timely receipt of necessary marketing approvals from the FDA and similar foreign regulatory authorities;
- achieving and maintaining, and, where applicable, ensuring that our third-party contractors achieve and maintain compliance with our contractual obligations and with all regulatory requirements applicable to our lead drug candidates or any future drug candidates or approved products, if any;
- the willingness of physicians, professional societies, operators of clinics, hospitals, and patients to recommend, utilize or adopt any of our future drug candidates to treat diseases of aging;
- the ability of third parties with whom we contract to manufacture adequate clinical study and commercial supplies of our lead drug candidates or any future drug candidates, to remain in good standing with regulatory agencies and develop, validate and maintain commercially viable manufacturing processes that are compliant with current good manufacturing practices, or cGMP;
- our ability to successfully develop a commercial strategy and thereafter commercialize our drug candidates or any future drug candidates in the U.S., and internationally, if approved for marketing, reimbursement, sale and distribution in such countries and territories, whether alone or in collaboration with others;
- the convenience of our treatment or dosing regimen;
- acceptance by physicians, payors and patients of the benefits, safety and efficacy of our drug candidates or any future drug candidates, if approved, including relative to alternative and competing treatments;
- patient demand for our drug candidates, if approved;
- our ability to establish and enforce intellectual property rights in and to our drug candidates or any future drug candidates; and

- our ability to avoid third-party patent interference, intellectual property challenges or intellectual property infringement claims.

These factors, many of which are beyond our control, could cause us to experience significant delays or be unable to obtain regulatory approvals or commercialize our drug candidates. In addition, disruptions caused by the COVID-19 pandemic may increase the likelihood that we encounter such difficulties or delays in developing, obtaining regulatory approvals for or commercializing our product candidates. Even if regulatory approvals are obtained, we may never achieve success in commercializing any of our drug candidates. Accordingly, we cannot provide assurances that we will be able to generate sufficient revenue through the sale of our drug candidates or any future drug candidates to continue our business or achieve profitability.

***The COVID-19 coronavirus could adversely impact our business, including our clinical trials, and financial condition.***

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China. Since then, the COVID-19 coronavirus has spread to multiple countries, including the United States, in which we have planned or active clinical trial sites. The pandemic and government measures taken in response have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred, supply chains have been disrupted, facilities and production have been suspended, and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, such as travel, has fallen. In response to the spread of COVID-19, as of mid-March 2020, we transitioned to a reduced onsite staffing model and implemented a remote work plan for all of our employees other than those providing essential services, such as our laboratory staff. For those onsite employees, we have implemented heightened safety measures designed to comply with applicable federal, state and local guidelines. We may be required to take additional actions that could impact our operations if required by applicable laws or regulations or if we determine to be in the best interests of our employees.

Prior to the completion of our Phase 2 and Phase 1b UBX0101 clinical studies, we amended the clinical study protocols to enable remote data collection for clinical sites that are limited in their ability to conduct study visits in person, for either site or patient safety reasons. For the Phase 1 safety and tolerability clinical study for UBX1325, we adapted the clinical study protocol and standard operating procedures to enable a number of adaptations such as: remote data collection for clinical sites when possible; the option for remote data source verification procedures to limit on-site monitoring; transportation options for patients to utilize for study visit adherence; selection and use of central reading centers and centralized laboratories that do not require source data verification; flexible visit windows to increase study visit adherence; and geographic distribution of sites to mitigate variation in local restrictions.

These actions enable the collection of all major endpoints if patients adhere with the study visit schedule. Assessments that require an on-site visit may be missed for some or all patients including laboratory evaluations, clinical examinations, or imaging.

Although one of the manufacturers in our supply chain for UBX0101 experienced a two-week shutdown in April 2020 due to a COVID-19 related incident and there have been some delays in shipments due to a reduction in overall flights, neither of these factors impacted our supply of UBX0101 prior to our decision to shut down further clinical advancement of that program. There have been no other disruptions in our supply chain of drug manufacturers necessary to conduct our ongoing clinical trials, including our recently initiated Phase 1 study in ophthalmology disease.

Several of the contract research organizations, or CROs, that provide preclinical services to us are based in China and India and experienced temporary shutdowns in February and March due to government mandates. In each case we were able to reassign the balance of activities to other CROs and the shutdowns did not impact our preclinical timelines. CROs based in the U.S. that provide preclinical services are experiencing heavy demand, which may impact their ability to start new studies and could lead to delays in the commencement of our preclinical studies. Several of our U.S.-based academic research partners have also experienced shutdowns which has slowed progress on several early stage projects, none of which impacted our preclinical timelines.

As the COVID-19 coronavirus continues to spread around the globe, we will likely experience disruptions that could severely impact our business and clinical trials, including:

- delays or difficulties in enrolling patients in our clinical trials;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others or interruption of clinical trial subject visits and study procedures, the occurrence of which could affect the integrity of clinical trial data;
- risk that participants enrolled in our clinical trials will contract the COVID-19 coronavirus while the clinical trial is ongoing, which could impact the results of the clinical trial, including by increasing the number of observed adverse events;
- limitations in employee resources that would otherwise be focused on the conduct of our clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people;
- delays in receiving authorizations from local regulatory authorities to initiate our planned clinical trials;
- delays in clinical sites receiving the supplies and materials needed to conduct our clinical trials;
- interruption in global shipping that may affect the transport of clinical trial materials, such as investigational drug product used in our clinical trials;
- changes in local regulations as part of a response to the COVID-19 coronavirus pandemic which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or to discontinue such clinical trials altogether;
- interruptions or delays in preclinical studies due to restricted or limited operations at our research and development laboratory facilities;
- delays in necessary interactions with local regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees; and
- refusal of the FDA to accept data from clinical trials in affected geographies outside the United States.

The global pandemic of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact our business, including our clinical trials, and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the pandemic, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

***We may be unable to obtain regulatory approval for our drug candidates under applicable regulatory requirements. The denial or delay of any such approval would delay commercialization of our drug candidates and adversely impact our potential to generate revenue, our business and our results of operations.***

To gain approval to market our drug candidates, we must provide the FDA and foreign regulatory authorities with clinical data that adequately demonstrate the safety and efficacy of the drug candidate for the intended indication applied for in the applicable regulatory filing. For our senolytic medicines, we must also demonstrate that

eliminating or causing the elimination of senescent cells and modulating relevant associated SASP factors will lead to the improvement of well-defined and measurable endpoints.

We have not previously submitted a new drug application, or NDA, or biologics license application, or BLA, to the FDA, or similar approval filings to comparable foreign regulatory authorities. An NDA, BLA or other relevant regulatory filing must include extensive preclinical and clinical data and supporting information to establish that the drug candidate is safe and effective, or that a biological drug candidate is safe, pure and potent for each desired indication. The NDA, BLA or other relevant regulatory submission must also include significant information regarding the chemistry, manufacturing and controls for the product.

The research, testing, manufacturing, labeling, approval, sale, marketing and distribution of drug and biologic products are subject to extensive regulation by the FDA and other regulatory authorities in the U.S. and other countries, and such regulations differ from country to country. We are not permitted to market our drug candidates in the U.S. or in any foreign countries until they receive the requisite approval from the applicable regulatory authorities of such jurisdictions.

The FDA or any foreign regulatory bodies can delay, limit or deny approval of our drug candidates for many reasons, including:

- our inability to demonstrate to the satisfaction of the FDA or the applicable foreign regulatory body that any of our drug candidates is safe and effective for the requested indication;
- the FDA's or the applicable foreign regulatory agency's disagreement with our trial protocol or the interpretation of data from preclinical studies or clinical studies;
- our inability to demonstrate that the clinical and other benefits of any of our drug candidates outweigh any safety or other perceived risks;
- the FDA's or the applicable foreign regulatory agency's requirement for additional preclinical studies or clinical studies;
- the FDA's or the applicable foreign regulatory agency's failure to approve the formulation, labeling or specifications of UBX1325, UBX1967, or any of our future drug candidates;
- the FDA's or the applicable foreign regulatory agency's failure to approve the manufacturing processes or facilities of third-party manufacturers upon which we rely; or
- the potential for approval policies or regulations of the FDA or the applicable foreign regulatory agencies to significantly change in a manner that renders our clinical data insufficient for approval.

Of the large number of biopharmaceutical and pharmaceutical products in development, only a small percentage successfully complete the FDA or other regulatory approval processes and are commercialized.

Even if we eventually complete clinical testing and receive approval from the FDA or applicable foreign agencies for any of our drug candidates, the FDA or the applicable foreign regulatory agency may grant approval contingent on the performance of costly additional clinical studies which may be required after approval. The FDA or the applicable foreign regulatory agency also may approve our lead drug candidates for limited indications or narrower patient populations than we originally requested, and the FDA, or applicable foreign regulatory agency, may not approve our drug candidates with the labeling that we believe is necessary or desirable for the successful commercialization of such drug candidates.

Any delay in obtaining, or inability to obtain, applicable regulatory approval would delay or prevent commercialization of our drug candidates and would materially adversely impact our business and prospects.



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

The ability of the FDA to review and or approve new products can be affected by a variety of factors, including government budget and funding levels, statutory, regulatory, and policy changes, the FDA's ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the FDA have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable. Disruptions at the FDA and other agencies may also slow the time necessary for new drugs and biologics to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including for 35 days beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical FDA employees and stop critical activities.

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

***Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.***

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure or delay can occur at any time during the clinical study process. Success in preclinical studies and early clinical studies does not ensure that later clinical studies will be successful. A number of companies in the biotechnology, and pharmaceutical industries have suffered significant setbacks in clinical studies, even after positive results in earlier preclinical studies or clinical studies. These setbacks have been caused by, among other things, preclinical findings made while clinical studies were underway and safety or efficacy observations made in clinical studies, including previously unreported adverse events. The results of our preclinical animal studies or studies in *ex vivo* human tissues may not be predictive of the results of outcomes in human clinical studies. For example, our senolytic molecules may demonstrate different chemical and pharmacological properties in patients than they do in laboratory studies or may interact with human biological systems in unforeseen or harmful ways.

Additionally, with respect to our initial clinical trials for our senolytic drug candidates, we may be unable to accurately predict whether or in what manner we will be able to measure the impact of a drug candidate on relevant SASP factors and disease biomarkers. For example, in the initial single ascending dose, or SAD, portion of our Phase 1 OA study, we intended to collect synovial fluid from the knee joint; however, we were unable to obtain a sufficient amount of fluid for analysis of biomarkers from a number of patients. As a result, we expanded the study to include a second portion for biomarker assessment. This second portion involved an additional cohort of patients and use an alternative procedure, saline lavage, intended to provide a greater number of sufficient samples size for SASP and disease biomarkers assessment.

Drug candidates in later stages of clinical studies may fail to show the desired pharmacological properties or safety and efficacy traits despite having progressed through preclinical studies and initial clinical studies. Notwithstanding any promising results in earlier studies, we cannot be certain that we will not face similar setbacks. Even if we are able to initiate and complete clinical studies, the results may not be sufficient to obtain regulatory approval for our drug candidates.

Although we initiated our Phase 1 safety and tolerability clinical study for UBX1325 in October 2020, we may experience delays in obtaining FDA authorization or feedback to initiate further studies of UBX1325, or in completing our ongoing studies of UBX1325. We cannot be certain that studies or trials for our drug candidates will begin on time, not require redesign, enroll an adequate number of subjects on time or be completed on schedule, if at all. The COVID-19 pandemic could cause or exacerbate these factors. For example, for our ongoing Phase 1 study for UBX1325 clinical sites may be unable to recruit and retain investigators and study staff, screen and enroll patients, patients may be unable to adhere to the study visit schedule, and the completion of the study could be delayed. Clinical studies can be prolonged, delayed or terminated for a variety of reasons, including:

- the FDA or comparable foreign regulatory authorities disagreeing with or requiring changes to the design or implementation of our clinical studies;
- delays in obtaining regulatory approval to commence or continue a trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical study sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining institutional review board, or IRB, approval at each trial site;
- recruiting an adequate number of suitable patients to participate in a trial;
- having subjects complete a trial or return for post-treatment follow-up;
- encountering difficulties in gathering the range of biological data from patients needed to fully assess the impact of our drug candidates, such as the challenges we encountered in collecting synovial fluid from OA patients in the single ascending dose portion of our Phase 1 clinical study;
- clinical sites deviating from trial protocol or dropping out of a trial;
- addressing subject safety concerns that arise during the course of a trial;
- adding a sufficient number of clinical study sites; or
- obtaining sufficient product supply of drug candidate for use in preclinical studies or clinical studies from third-party suppliers some of whom could be adversely impacted by unforeseen events such as pandemics and public health emergencies, such as the COVID-19 pandemic.

We may experience numerous adverse or unforeseen events during, or as a result of, preclinical studies and clinical studies that could delay or prevent our ability to receive marketing approval or commercialize our drug candidates, including:

- clinical studies of our drug candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to modify clinical study design, conduct additional clinical studies or abandon drug development programs, including all of our senolytic programs;
- the number of patients required for clinical studies of our drug candidates may be larger than we anticipate, enrollment in these clinical studies may be slower than we anticipate, or participants may drop out of these clinical studies at a higher rate than we anticipate;
- our third-party contractors may fail to comply with regulatory requirements, fail to maintain adequate quality controls, or be unable to provide us with sufficient product supply to conduct and complete preclinical studies or clinical studies of our drug candidates in a timely manner, or at all;
- we or our investigators might have to suspend or terminate clinical studies of our drug candidates for various reasons, including non-compliance with regulatory requirements, a finding that our drug candidates have undesirable side effects or other unexpected characteristics, a finding that the participants are being

exposed to unacceptable health risks, or due to unforeseen events such as pandemics and public health emergencies, such as the COVID-19 pandemic;

- the cost of clinical studies of our drug candidates may be greater than we anticipate;
- the quality of our drug candidates or other materials necessary to conduct preclinical studies or clinical studies of our drug candidates may be inadequate;
- regulators may revise the requirements for approving our drug candidates, or such requirements may not be as we anticipate; and
- future collaborators may conduct clinical studies in ways they view as advantageous to them but that are suboptimal for us.

If we are required to conduct additional clinical studies or other testing of our drug candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical studies of our drug candidates or other testing, if the results of these trials or tests are not positive or are only moderately positive, or if there are safety concerns, we may:

- incur unplanned costs;
- be delayed in obtaining marketing approval for our drug candidates or fail to obtain marketing approval at all;
- obtain marketing approval in some countries and not in others;
- obtain marketing approval for indications or patient populations that are not as broad as intended or desired;
- obtain marketing 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 treatment removed from the market after obtaining marketing approval.

We could also encounter delays if a clinical study is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by the Data Safety Monitoring Board, or DSMB, for such trial or by the FDA or other regulatory authorities. Such authorities may suspend or terminate a clinical study due to a number of factors, including failure to conduct the clinical study in accordance with regulatory requirements or our clinical protocols, inspection of the clinical study operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical study.

Further, conducting clinical studies in foreign countries, as we may do for certain of our drug candidates, presents additional risks that may delay completion of our clinical studies. These risks include the failure of enrolled patients in foreign countries to adhere to clinical protocol as a result of differences in healthcare services or cultural customs, managing additional administrative burdens associated with foreign regulatory schemes, as well as political and economic risks relevant to such foreign countries, including those caused by unforeseen events such as pandemics and public health emergencies similar to the COVID-19 pandemic.

Principal investigators for our clinical studies may serve as scientific advisors or consultants to us from time to time and may receive cash or equity compensation in connection with such services. If these relationships and any related compensation result in perceived or actual conflicts of interest, or a regulatory authority concludes that the financial relationship may have affected the interpretation of the trial, the integrity of the data generated at the applicable clinical study site may be questioned and the utility of the clinical study itself may be jeopardized, which could

result in the delay or rejection of the marketing application we submit. Any such delay or rejection could prevent or delay us from commercializing our current or future drug candidates.

If we experience termination or delays in the completion of any preclinical study or clinical study of our drug candidates, the commercial prospects of our drug candidates may be harmed, and our ability to generate revenues from any of these drug candidates will be delayed or unrealized. In addition, any delays in completing our clinical studies may increase our costs, slow down our drug candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Any of these occurrences may significantly harm our business, financial condition and prospects. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical studies may also ultimately lead to the denial of regulatory approval of our drug candidates. If one or more of our drug candidates or our senescence technology generally prove to be ineffective, unsafe or commercially unviable, our platform and pipeline would have significantly diminished value, which would have a material and adverse effect on our business, financial condition, results of operations and prospects.

***We may not be successful in our efforts to continue to create a pipeline of drug candidates or to develop commercially successful products. If we fail to successfully identify and develop additional drug candidates, our commercial opportunity may be limited.***

We are committed to developing senolytic medicines that slow, halt or reverse diseases of aging and we are currently advancing multiple senolytic molecules to address a variety of diseases of aging, including ophthalmologic and neurologic disorders. As senolytic medicines are not limited to intervention by a single mode of action or molecular target, we believe that we can modulate a number of biologic pathways in order to trigger the beneficial elimination of senescent cells. However, our core therapeutic approach is based on our belief that senescent cells drive diseases of aging, and that hypothesis has not yet been proven. In addition, we do not know if we will be able to develop medicines that selectively eliminate senescent cells or whether the elimination of such senescent cells will mitigate the effects of or effectively treat any diseases.

In addition, identifying, developing, obtaining regulatory approval and commercializing drug candidates for the treatment of diseases of aging will require substantial additional funding and is prone to the risks of failure inherent in drug development. Research programs to identify drug candidates also require substantial technical, financial and human resources, regardless of whether or not any drug candidates are ultimately identified, and even if our preclinical research programs initially show promise in identifying potential drug candidates, they may fail to yield drug candidates for clinical development.

While we have a number of ongoing drug discovery programs targeting senescent cells, we do not know whether these will be successful, or whether we will be able to identify novel senolytic mechanisms to continue to build our pipeline. We also cannot provide any assurance that we will be able to successfully identify or acquire additional drug candidates, advance any of these additional drug candidates through the development process, successfully commercialize any such additional drug candidates, if approved, or assemble sufficient resources to identify, acquire, develop or, if approved, commercialize additional drug candidates. If we are unable to successfully identify, acquire, develop and commercialize additional drug candidates, our commercial opportunities may be limited.

***It may be many years, if ever, before we develop senolytic medicines capable of systemic administration to treat systemic diseases of aging.***

Many diseases of aging may require the development of senolytic medicines that can be administered systemically. We currently do not have systemic senolytic medicines in development, and we do not know whether systemic senolytic approaches will be feasible. We are focusing initially on the development of senolytic molecules for diseases of aging that can be treated by means of local treatment and intend to continue our research into the development of systemic senolytic medicines. However, we are still at a very early stage of developing locally administered senolytic medicines, and we must establish proof-of-concept in humans for local treatment before developing a systemically administered senolytic medicine. We still face significant risks in the development of localized treatments. As a result, it may be many years before we have sufficient human data and scientific understanding to effectively pursue a systemically administered senolytic medicine, if ever.

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

The timely completion of clinical studies in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the study until its conclusion. We may experience difficulties in patient enrollment in our clinical studies for a variety of reasons. The enrollment of patients depends on many factors, some of which could be exacerbated by the COVID-19 pandemic, including:

- the patient eligibility criteria defined in the protocol;
- the size of the patient population required for analysis of the trial's primary endpoints;
- the proximity of patients to trial sites;
- patients' fear of visiting or traveling to trial sites during the COVID-19 pandemic;
- the design of the trial;
- our ability to recruit clinical study investigators with the appropriate competencies and experience;
- clinicians' and patients' perceptions as to the potential advantages of the drug candidate being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating; and
- our ability to obtain and maintain patient consents.

In addition, our clinical studies may compete with other clinical studies for drug candidates that are in the same therapeutic areas as our drug candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Since the number of qualified clinical investigators is limited, we may conduct some of our clinical studies at the same clinical study sites that some of our competitors use, which will reduce the number of patients who are available for our clinical studies in such clinical study site.

Further, the administration of senolytic medicines designed to eliminate or cause the elimination of senescent cells and thereby modulate their associated SASP may result in unforeseen events, including by harming healthy tissues. As a result, it is possible that safety concerns could negatively affect patient enrollment among the patient populations that we intend to treat, including among those in indications with a low risk of mortality. Delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical studies, which could prevent completion of these trials and adversely affect our ability to advance the development of our drug candidates.

***Our drug candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.***

Undesirable side effects caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical studies and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or comparable foreign regulatory authorities. Other than our clinical studies of UBX0101, and our Phase 1 clinical study of UBX1325, which was initiated in October 2020, senolytic medicines designed to eliminate or cause the elimination of senescent cells have never been tested in humans. As a result, even though in our completed Phase 1 and Phase 2 clinical studies of UBX0101 were generally well tolerated, any clinical studies we initiate could reveal a high and unacceptable severity and prevalence of side effects, and it is possible that patients enrolled in such clinical studies could respond in unexpected ways. For instance, in preclinical *in vivo* animal and *ex vivo* human tissue studies, our senolytic molecules have exhibited clearance of senescent cells, however the elimination of accumulated senescent cells may result in unforeseen events, including harming healthy cells or tissues. In addition, the entry by cells into a senescent state is a natural biological process that we believe may have protective effects, such as halting the proliferation of damaged cells. The treatment of tissues with senolytic molecules could interfere with such protective processes.

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

In addition, even if we successfully advance any of our drug candidates into and through clinical studies, such trials will likely only include a limited number of subjects and limited duration of exposure to our drug candidates. As a result, we cannot be assured that adverse effects of our drug candidates will not be uncovered when a significantly larger number of patients are exposed to the drug candidate. Further, clinical studies may not be sufficient to determine the effect and safety consequences of taking our drug candidates over a multi-year period. There can be no assurance that it will demonstrate a similarly favorable safety profile in subsequent clinical trials.

If any of our drug candidates receives marketing approval, and we or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw their approval of the product;
- we may be required to recall a product or change the way such product is administered to patients;
- additional restrictions may be imposed on the marketing of the particular product or the manufacturing processes for the product or any component thereof;
- regulatory authorities may require the addition of labeling statements, such as a “black box” warning or a contraindication;
- we may be required to implement a Risk Evaluation and Mitigation Strategy, or REMS, or create a Medication Guide outlining the risks of such side effects for distribution to patients;
- we could be sued and held liable for harm caused to patients;
- the product may become less competitive; and
- our reputation may suffer.

Any of the foregoing events could prevent us from achieving or maintaining market acceptance of the particular drug candidate, if approved, and result in the loss of significant revenues to us, which would materially and adversely affect our results of operations and business. In addition, if one or more of our drug candidates or our senescence approach generally prove to be unsafe, our entire platform and pipeline could be affected, which would have a material and adverse effect on our business, financial condition, results of operations and prospects.

***Even if our lead drug candidates or any future drug candidates obtain regulatory approval, they may fail to achieve the broad degree of physician and patient adoption and use necessary for commercial success.***

Even if one or more of our drug candidates receive FDA or other regulatory approvals, the commercial success of any of our current or future drug candidates will depend significantly on the broad adoption and use of the resulting product by physicians and patients for approved indications. Our drug candidates may not be commercially successful for a variety of reasons, including: competitive factors, pricing or physician preference, reimbursement by insurers, the degree and rate of physician and patient adoption of our current or future drug candidates. If approved, the commercial success of our drug candidates will depend on a number of factors, including:

- the clinical indications for which the product is approved and patient demand for approved products that treat those indications;

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

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

***We rely on third-party suppliers to manufacture preclinical and clinical supplies of our drug candidates and we intend to continue to rely on third parties to produce such preclinical and clinical supplies as well as commercial supplies of any approved product. The loss of these suppliers, or their failure to comply with applicable regulatory requirements or to provide us with sufficient quantities at acceptable quality levels or prices, or at all, would materially and adversely affect our business.***

We do not have the infrastructure or capability internally to manufacture supplies of our drug candidates or the materials necessary to produce our drug candidates for use in the conduct of our clinical studies, and we lack the internal resources and the capability to manufacture any of our drug candidates on a clinical or commercial scale. The facilities used by our contract manufacturers to manufacture our drug candidates are subject to various regulatory requirements and may be subject to the inspection of the FDA or other regulatory authorities. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for

compliance with the regulatory requirements, known as cGMPs. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or comparable regulatory authorities in foreign jurisdictions, we may not be able to rely on their manufacturing facilities for the manufacture of our drug candidates. In addition, we have limited control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or a comparable foreign regulatory authority finds these facilities inadequate for the manufacture of our drug candidates or if such facilities are subject to enforcement action in the future or are otherwise inadequate, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our drug candidates.

We currently intend to supply all of our drug candidates in all territories for our planned clinical development programs. We currently rely on third parties at key stages in our supply chain. For instance, the supply chains for our lead drug candidates involve several manufacturers that specialize in specific operations of the manufacturing process, specifically, raw materials manufacturing, drug substance manufacturing and drug product manufacturing. As a result, the supply chain for the manufacturing of our drug candidates is complicated and we expect the logistical challenges associated with our supply chain to grow more complex as our drug candidates progress through the clinical trial process. Some of these third parties may also be adversely impacted by COVID-19 or other unforeseen events and public health emergencies. For example, one of the manufacturers in our supply chain for UBX0101 experienced a two-week shutdown in April 2020 due to a COVID-19 related incident. While such incident did not impact our supply of UBX0101 for clinical studies being conducted in April 2020, there can be no assurance that our supply chain for any of our candidates and clinical trials will not be disrupted in the future due to the COVID-19 pandemic.

We do not have any control over the process or timing of the acquisition or manufacture of materials by our manufacturers. Further, we have not yet engaged any manufacturers for the commercial supply of our current drug candidates. Although we intend to enter into such agreements prior to commercial launch of any of our drug candidates, we may be unable to enter into any such agreement or do so on commercially reasonable terms, which could have a material adverse impact upon our business. We generally do not begin a preclinical study and we do not intend to initiate any clinical studies unless we believe we have access to a sufficient supply of a drug candidate to complete such study or trial. In addition, any significant delay in, or quality control problems with respect to, the supply of a drug candidate, or the raw material components thereof, for an ongoing study or trial could considerably delay completion of our preclinical studies or future clinical studies, product testing and potential regulatory approval of our drug candidates.

Moreover, if there is a disruption to one or more of our third-party manufacturers' or suppliers' relevant operations, or if we are unable to enter into arrangements for the commercial supply of our drug candidates, we will have no other means of producing our lead drug candidates until they restore the affected facilities or we or they procure alternative manufacturing facilities or sources of supply. Our ability to progress our preclinical and clinical programs could be materially and adversely impacted if any of the third-party suppliers upon which we rely were to experience a significant business challenge, disruption or failure due to issues such as financial difficulties or bankruptcy, issues relating to other customers such as regulatory or quality compliance issues, or other financial, legal, regulatory or reputational issues.

Additionally, any damage to or destruction of our third-party manufacturers' or suppliers' facilities or equipment may significantly impair our ability to manufacture our drug candidates on a timely basis.

In addition, to manufacture our lead drug candidates in the quantities that we believe would be required to meet anticipated market demand, our third-party manufacturers would likely need to increase manufacturing capacity and, in some cases, we would need to secure alternative sources of commercial supply, which could involve significant challenges and may require additional regulatory approvals. In addition, the development of commercial-scale manufacturing capabilities may require us and our third-party manufacturers to invest substantial additional funds and hire and retain the technical personnel who have the necessary manufacturing experience. Neither we nor our third-party manufacturers may successfully complete any required increase to existing manufacturing capacity in a timely manner, or at all. If our manufacturers or we are unable to purchase the raw materials necessary for the manufacture of our drug candidates on acceptable terms, at sufficient quality levels, or in adequate quantities, if at all, the commercial launch of our lead drug candidates or any future drug candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenues from the sale of such drug candidates, if approved.



***If we fail to attract and retain senior management and key scientific personnel, we may be unable to successfully develop our lead drug candidates or any future drug candidates, conduct our clinical studies and commercialize our current or any future drug candidates.***

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management, clinical and scientific personnel. We are highly dependent upon our senior management as well as our senior scientists. In March 2020, our prior Chairman and Chief Executive Officer, Keith R. Leonard, resigned from his position as Chief Executive Officer and was replaced by Anirvan Ghosh, Ph.D. In addition, in July 2020, our Chief Financial Officer, Robert C. Goeltz II, announced his intention to resign from his position as Chief Financial Officer, and he was replaced by Lynne Sullivan. In addition, following the announcement of our Phase 2 clinical trial results for UBX0101, we implemented a corporate restructuring resulting in the elimination of a significant portion of the workforce. These events have resulted in additional loss of personnel, both planned and unplanned. Continued disruption caused by the transition or by the loss of ongoing services of any other members of our senior management team or our senior scientists could delay or prevent the successful development of our product pipeline, initiation or completion of our planned clinical studies or the commercialization of our lead drug candidates or any future drug candidates.

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

***We depend on third-party suppliers for key raw materials used in our manufacturing processes, and the loss of these third-party suppliers or their inability to supply us with adequate raw materials could harm our business.***

We rely on third-party suppliers for the raw materials required for the production of our drug candidates. Our dependence on these third-party suppliers and the challenges we may face in obtaining adequate supplies of raw materials involve several risks, including limited control over pricing, availability, and quality and delivery schedules. As a small company, our negotiation leverage is limited, and we are likely to get lower priority than our competitors who are larger than we are. We cannot be certain that our suppliers will continue to provide us with the quantities of these raw materials that we require or satisfy our anticipated specifications and quality requirements. Any supply interruption in limited or sole sourced raw materials could materially harm our ability to manufacture our drug candidates until a new source of supply, if any, could be identified and qualified. We may be unable to find a sufficient alternative supply channel in a reasonable time or on commercially reasonable terms. Any performance failure on the part of our suppliers could delay the development and potential commercialization of our drug candidates, including limiting supplies necessary for clinical studies and regulatory approvals, which would have a material adverse effect on our business.

We rely on third parties in the conduct of critical portions of our preclinical studies and intend to rely on third parties in the conduct of critical portions of our future clinical studies. If these third parties do not successfully carry out their contractual duties, fail to comply with applicable regulatory requirements or meet expected deadlines, we may be unable to obtain regulatory approval for our drug candidates. Some of these third parties may also be adversely impacted by COVID-19 or other unforeseen events and public health emergencies.

We currently do not have the ability to independently conduct preclinical studies that comply with the regulatory requirements known as good laboratory practice, or GLP, requirements. We also do not currently have the ability to independently conduct any clinical studies. The FDA and regulatory authorities in other jurisdictions require us to comply with regulations and standards, commonly referred to as good clinical practice, or GCP, requirements for conducting, monitoring, recording and reporting the results of clinical studies, in order to ensure that the data and results are scientifically credible and accurate and that the trial subjects are adequately informed of the potential risks of participating in clinical studies. We rely on medical institutions, clinical investigators, contract laboratories and other third parties, such as CROs, to conduct GLP-compliant preclinical studies and GCP-compliant clinical studies on our drug candidates properly and on time. While we have agreements governing their activities, we control only certain aspects of their activities and have limited influence over their actual performance. The third parties with whom we contract for execution of our GLP-compliant preclinical studies and our GCP-compliant clinical studies play a significant role in the conduct of these studies and trials and the subsequent collection and analysis of data. These third parties are not our employees and, except for restrictions imposed by our contracts with

such third parties, we have limited ability to control the amount or timing of resources that they devote to our programs. Although we rely on these third parties to conduct our GLP-compliant preclinical studies and GCP-compliant clinical studies, we remain responsible for ensuring that each of our GLP preclinical studies and clinical studies is conducted in accordance with its investigational plan and protocol and applicable laws and regulations, and our reliance on the CROs does not relieve us of our regulatory responsibilities.

Many of the third parties with whom we contract may also have relationships with other commercial entities, potentially including our competitors, for whom they may also be conducting clinical studies or other drug development activities that could harm our competitive position. If the third parties conducting our preclinical studies or our clinical studies do not adequately perform their contractual duties or obligations, experience significant business challenges, disruptions or failures, do not meet expected deadlines, terminate their agreements with us or need to be replaced, or if the quality or accuracy of the data they obtain is compromised due to their failure to adhere to our protocols or to GCPs, or for any other reason, we may need to enter into new arrangements with alternative third parties. This could be difficult, costly or impossible, and our preclinical studies or clinical studies may need to be extended, delayed, terminated or repeated. As a result, we may not be able to obtain regulatory approval in a timely fashion, or at all, for the applicable drug candidate, our financial results and the commercial prospects for our drug candidates would be harmed, our costs could increase, and our ability to generate revenues could be delayed.

***We are currently conducting and will continue to conduct preclinical trials and contract with third-party manufacturers in foreign countries, which could expose us to risks that could have a material adverse effect on the success of our business.***

We have conducted in the past and are currently conducting preclinical trials in the United States, Canada and China and contract with third-party suppliers in the United States, China and Denmark. Accordingly, we are subject to risks associated with doing business globally, including commercial, political, and financial risks. In addition, we are subject to potential disruption caused by military conflicts; potentially unstable governments or legal systems; civil or political upheaval or unrest; local labor policies and conditions; possible expropriation, nationalization, or confiscation of assets; problems with repatriation of foreign earnings; economic or trade sanctions; closure of markets to imports; anti-American sentiment; terrorism or other types of violence in or outside the United States; health pandemics; and a significant reduction in global travel. The COVID-19 pandemic could disrupt the ability of our third-party service providers, including WuXi AppTec (Hong Kong) Limited, or WuXi AppTec, which conducts certain preclinical studies of our drug candidates in China pursuant to a services agreement we entered into in 2016, to provide us with services that are critical to the development of our drug candidates. For example, in February 2020, WuXi AppTec was required to shut down its facilities located in Wuhan, China, where WuXi AppTec conducts medicinal chemistry research services for us in response to governmental orders. Our success will depend, in part, on our ability to overcome the challenges we encounter with respect to these risks and other factors affecting U.S. companies with global operations. If our global clinical trials or foreign third-party suppliers were to experience significant disruption due to these risks or for other reasons, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

***We face significant competition in an environment of rapid technological and scientific change, and our drug candidates, if approved, will face significant competition and our failure to effectively compete may prevent us from achieving significant market penetration. Most of our competitors have significantly greater resources than we do, and we may not be able to successfully compete.***

The biotechnology and pharmaceutical industries in particular are characterized by rapidly advancing technologies, intense competition and a strong emphasis on developing proprietary therapeutics. Numerous companies are engaged in the development, patenting, manufacturing and marketing of healthcare products competitive with those that we are developing. We face competition from a number of sources, such as pharmaceutical companies, generic drug companies, biotechnology companies and academic and research institutions, many of which have greater financial resources, marketing capabilities, sales forces, manufacturing capabilities, research and development capabilities, clinical study expertise, intellectual property portfolios, experience in obtaining patents and regulatory approvals for drug candidates and other resources than we do. Some of the companies that offer competing products also have a broad range of other product offerings, large direct sales forces and long-term customer relationships with our target physicians, which could inhibit our market penetration efforts. Mergers and acquisitions in the pharmaceutical industry may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in

recruiting and retaining qualified scientific and management personnel and establishing clinical study sites and patient registration for clinical studies, as well as in acquiring technologies complementary to, or necessary for, our programs. In addition, certain of our drug candidates, if approved, may compete with other products that treat diseases of aging, including over the counter, or OTC, treatments, for a share of some patients' discretionary budgets and for physicians' attention within their clinical practices.

We are aware of other companies seeking to develop treatments to prevent or treat aging-related diseases through various biological pathways, including Calico. Within our lead senolytic program in ophthalmology diseases, our drug candidates would compete against current therapies from a wide range of companies and technologies, including current standard of care treatments such as anti-VEGF antibodies (bevacizumab, ranibizumab, aflibercept, brolucizumab), intravitreal steroid (dexamethasone), and pan-retinal photocoagulation by laser E. There are also potentially disease-modifying therapeutics being developed by several pharmaceutical and biotechnology companies, including Roche/Genentech and Regeneron.

Further, we believe that potential competitors may be able to develop senolytic medicines utilizing well-established molecules and pathways, which could enable the development of competitive drug candidates utilizing the same cellular senescence biological theories.

Certain alternative treatments offered by competitors may be available at lower prices and may offer greater efficacy or better safety profiles. Furthermore, currently approved products could be discovered to have application for treatment of diseases of aging generally, which could give such products significant regulatory and market timing advantages over any of our drug candidates. Our competitors also may obtain FDA, EMA or other regulatory approval for their products more rapidly than we may obtain approval for ours and may obtain orphan product exclusivity from the FDA for indications our drug candidates are targeting, which could result in our competitors establishing a strong market position before we are able to enter the market. Newly developed systemic or non-systemic treatments that replace existing therapies that currently are only utilized in patients suffering from severe disease may also have lessened side effects or reduced prices compared to current therapies, which make them more attractive for patients suffering from mild to moderate disease. Even if a generic or OTC product is less effective than our drug candidates, it may be more quickly adopted by physicians and patients than our competing drug candidates based upon cost or convenience.

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

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

Third-party payors increasingly are challenging prices charged for pharmaceutical products and services, and many third-party payors may refuse to provide coverage and reimbursement for particular drugs or biologics when an equivalent generic drug, biosimilar or a less expensive therapy is available. It is possible that a third-party payor may consider our drug candidates as substitutable and only offer to reimburse patients for the cost of the less expensive product. Even if we show improved efficacy or improved convenience of administration with our drug candidates, pricing of existing third-party therapeutics may limit the amount we will be able to charge for our drug candidates. These payors may deny or revoke the reimbursement status of a given product or establish prices for new or existing marketed products at levels that are too low to enable us to realize an appropriate return on our investment in our drug candidates. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize our drug candidates and may not be able to obtain a satisfactory financial return on our investment in the development of drug candidates.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the U.S., third-party payors, including private and governmental payors, such as the Medicare and Medicaid programs, play an important role in determining the extent to which new drugs and biologics will be covered. The Medicare and Medicaid programs increasingly are used as models in the U.S. for how private payors and other governmental payors develop their coverage and reimbursement policies for drugs and biologics. Some third-party payors may require pre-approval of coverage for new or innovative devices or drug therapies before they will reimburse healthcare providers who use such therapies. We cannot predict at this time what third-party payors will decide with respect to the coverage and reimbursement for our drug candidates.

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

Outside the U.S., international operations are generally subject to extensive governmental price controls and other market regulations, and we believe the increasing emphasis on cost-containment initiatives in Europe and other countries have and will continue to put pressure on the pricing and usage of our drug candidates. In many countries, the prices of medical products are subject to varying price control mechanisms as part of national health systems. Other countries allow companies to fix their own prices for medical products but monitor and control company profits.

Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our drug candidates. Accordingly, in markets outside the U.S., the reimbursement for our drug candidates may be reduced compared with the U.S. and may be insufficient to generate commercially reasonable revenue and profits.

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

***We currently have no sales organization. If we are unable to establish sales capabilities on our own or through third parties, we may not be able to market and sell our drug candidates effectively in the U.S. and foreign jurisdictions, if approved, or generate product revenue.***

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

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

As of September 30, 2020, we had 76 full-time employees. We will need to continue to expand our managerial, operational, finance and other resources in order to manage our operations and clinical studies, continue our development activities and commercialize our lead drug candidates or any future drug candidates. Our management and personnel, systems and facilities currently in place may not be adequate to support this future growth. Our need to effectively execute our growth strategy requires that we:

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

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

We face an inherent risk of product liability as a result of the clinical testing of our drug candidates and will face an even greater risk if we commercialize any products. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, and a failure to warn of dangers inherent in the product, negligence, strict liability, and a breach of warranty. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our drug candidates.

Even a successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

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

Our inability to obtain and maintain sufficient product liability insurance at an acceptable cost and scope of coverage to protect against potential product liability claims could prevent or inhibit the commercialization of our current or any future drug candidates we develop. We currently carry product liability insurance covering our clinical studies. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions and deductibles, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient funds to pay such amounts. Moreover, in the future, we may not be able to

maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses. If and when we obtain approval for marketing any of our drug candidates, we intend to expand our insurance coverage to include the sale of such drug candidate; however, we may be unable to obtain this liability insurance on commercially reasonable terms or at all.

***Our existing collaborations as well as additional collaboration arrangements that we may enter into in the future may not be successful, which could adversely affect our ability to develop and commercialize our drug candidates.***

We utilize external collaborations and currently maintain approximately five active early-stage research and discovery focused collaborations. In the future, we may seek additional collaboration arrangements for the commercialization, or potentially for the development, of certain of our drug candidates depending on the merits of retaining commercialization rights for ourselves as compared to entering into collaboration arrangements. To the extent that we decide to enter into additional collaboration agreements in the future, we may face significant competition in seeking appropriate collaborators. Moreover, collaboration arrangements are complex and time-consuming to negotiate, document, implement and maintain and challenging to manage. We may not be successful in our efforts to prudently manage our existing collaborations or to enter new ones should we chose to do so. The terms of new collaborations, or other arrangements that we may establish may not be favorable to us.

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

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

- disputes may arise with respect to the ownership of any intellectual property developed pursuant to our collaborations;
- a collaborator's sales and marketing activities or other operations may not be in compliance with applicable laws resulting in civil or criminal proceedings; and
- collaborators may be adversely impacted by COVID-19 or other unforeseen events and public health emergencies.

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

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. Furthermore, the market for products with the potential to treat diseases of aging, particularly those affecting large populations in a wide range of geographic locations, may be particularly vulnerable to unfavorable economic conditions. A global financial crisis or a global or regional political disruption, including most recently as a result of the COVID-19 pandemic, have caused and could continue to cause extreme volatility in the capital and credit markets. A severe or prolonged economic downturn or political disruption could result in a variety of risks to our business, including weakened demand for our lead drug candidates or any future drug candidates, if approved, and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy or political disruption could also strain our manufacturers or suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our services. Weakened or declining economic conditions could be caused by a number of factors. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the political or economic climate and financial market conditions could adversely impact our business.

***We or the third parties upon whom we depend may be adversely affected by earthquakes, other natural disasters or unforeseen pandemics and public health emergencies, such as the COVID-19 pandemic, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.***

Our corporate headquarters and other facilities are located in the San Francisco Bay Area, which in the past has experienced both severe earthquakes and wildfires. Although we carry earthquake insurance, it is limited in scope. Earthquakes, wildfires or other natural disasters could severely disrupt our operations, and have a material adverse effect on our business, results of operations, financial condition and prospects.

If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure, such as our enterprise financial systems or manufacturing resource planning and enterprise quality systems, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place currently are limited and are unlikely to prove adequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, particularly when taken together with our lack of earthquake insurance, could have a material adverse effect on our business. Measures taken in response to a pandemic, such as the COVID-19 pandemic, which causes a public health emergency, could also disrupt our operations, and have a material adverse effect on our business, results of operations, financial condition and prospects. For example, in mid-March 2020, in alignment with federal, state and local guidance designed to slow the spread of COVID-19, we transitioned to a reduced onsite staffing model and remote work plan for all employees who cannot perform their work from home, such as our laboratory, operations, and facilities staff. As the COVID-19 pandemic evolves, we may be required to take additional actions that could impact our operations if required by applicable laws or regulations or if we determine to be in the best interests of our employees.

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

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

We collect and maintain information in digital form that is necessary to conduct our business, and we are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of our business, we collect, store and transmit large amounts of confidential information, including intellectual property, proprietary business information and personal information. It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We have established physical, electronic and organizational measures to safeguard and secure our systems to prevent a data compromise, and rely on commercially available systems, software, tools, and monitoring to provide security for our information technology systems and the processing, transmission and storage of digital information. We have also outsourced elements of our information technology infrastructure, and as a result a number of third-party vendors may or could have access to our confidential information. Our internal information technology systems and infrastructure, and those of our current and any future collaborators, contractors and consultants and other third parties on which we rely, are vulnerable to damage from computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyberattacks or cyber-intrusions over the Internet, attachments to emails, persons inside our organization, or persons with access to systems inside our organization.

The risk of a security breach or disruption, particularly through cyberattacks or cyber-intrusion, including by computer hackers, “phishing” attacks, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. In addition, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information or other intellectual property. As a result of COVID-19, we may face increased cybersecurity risks due to our reliance on internet technology and the number of our employees that are working remotely, which may create additional opportunities for cybercriminals to exploit vulnerabilities. The costs to us to mitigate network security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and while we have implemented security measures to protect our data security and information technology systems, our efforts to address these problems may not be successful, and these problems could result in unexpected interruptions, delays, cessation of service and other harm to our business and our competitive position. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our product development programs. For example, the loss of clinical study data from completed or ongoing or planned clinical studies could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data.

Moreover, if a computer security breach affects our systems, or those of our current and any future collaborators, contractors and consultants and other third parties on which we rely, or results in the unauthorized release of personally identifiable information, our reputation could be materially damaged. In addition, such a breach may require notification to governmental agencies, the media or individuals pursuant to various federal and state privacy and security laws, if applicable, including the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and its implementing rules and regulations, as well as regulations promulgated by the Federal Trade Commission and state breach notification laws. We would also be exposed to a risk of loss or litigation and potential liability, which could materially adversely affect our business, results of operations and financial condition.

***Our employees and independent contractors, including principal investigators, consultants, commercial collaborators, service providers and other vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could have an adverse effect on our results of operations.***

We are exposed to the risk that our employees and independent contractors, including principal investigators, consultants, any future commercial collaborators, service providers and other vendors may engage in misconduct or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or other unauthorized activities that violate the laws and regulations of the FDA and other similar regulatory bodies, including those laws that require the reporting of true, complete and accurate information to such regulatory bodies; manufacturing standards; U.S. federal and state healthcare fraud and abuse, data privacy laws and other similar non-U.S. laws; or laws that require the true, complete and accurate reporting of financial information or data. Activities subject to these laws also involve the improper use or misrepresentation of information obtained in the course of clinical studies, the creation of fraudulent data in our preclinical studies or clinical studies, or illegal misappropriation of product, which could result in regulatory sanctions and cause serious harm to our reputation. It



is not always possible to identify and deter misconduct by employees and other third-parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. In addition, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. 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 and financial results, including, without limitation, the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgements, possible exclusion from participation in Medicare, Medicaid and other U.S. healthcare programs, individual imprisonment, other sanctions, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

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

Our research and development activities and our third-party manufacturers' and suppliers' activities involve the controlled storage, use and disposal of hazardous materials owned by us, including the components of our product and drug candidates and other hazardous compounds. We and any third-party manufacturers and suppliers we engage are subject to numerous federal, state and local environmental, health and safety laws, regulations and permitting requirements, including those governing laboratory procedures; the generation, handling, use, storage, treatment, and disposal of hazardous and regulated materials and wastes; the emission and discharge of hazardous materials into the ground, air and water; and employee health and safety. Our operations involve the use of hazardous and flammable materials, including chemicals and biological and radioactive materials. Our operations also produce hazardous waste. In some cases, these hazardous materials and various wastes resulting from their use are stored at our and our manufacturers' facilities pending their use and disposal. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products.

Although we believe that the safety procedures utilized by our third-party manufacturers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. Under certain environmental laws, we could be held responsible for costs relating to any contamination at our current or past facilities and at third-party facilities. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of certain materials and/or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance.

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

## Risks Related to Intellectual Property

***Our senolytic medicine platform and any future products that we commercialize could be alleged to infringe patent rights and other proprietary rights of third parties, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages and/ or limit our ability to commercialize our products.***

Our commercial success depends on our ability to develop, manufacture and market our senolytic medicines and future drug candidates and use our proprietary technology without infringing the patents and other proprietary rights of third parties. Intellectual property disputes can be costly to defend and may cause our business, operating results and financial condition to suffer. We operate in an industry with extensive intellectual property litigation. As the biopharmaceutical and pharmaceutical industries expand and more patents are issued, the risk increases that there may be patents issued to third parties that relate to our products and technology of which we are not aware or that we may need to challenge to continue our operations as currently contemplated.

Whether merited or not, we may face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including patents held by our competitors or by non-practicing entities. We may also face allegations that our employees have misappropriated the intellectual property rights of their former employers or other third parties.

Litigation may make it necessary to defend ourselves by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. Regardless of whether claims that we are infringing patents or other intellectual property rights have merit, the claims can be time consuming, divert management attention and financial resources and are costly to evaluate and defend. Results of any such litigation are difficult to predict and may require us to stop treating certain conditions, obtain licenses or modify our products and features while we develop non-infringing substitutes, or may result in significant settlement costs. For example, litigation can involve substantial damages for infringement (and if the court finds that the infringement was willful, we could be ordered to pay treble damages and the patent owner's attorneys' fees), and the court could prohibit us from selling or licensing our products unless the third party licenses rights to us, which it is not required to do at a commercially reasonable price or at all. If a license is available from a third party, we may have to pay substantial royalties, upfront fees or grant cross-licenses to intellectual property rights for our products. We may also have to redesign our products so they do not infringe third-party intellectual property rights, which may not be possible at all or may require substantial monetary expenditures and time, during which our products may not be available for manufacture, use, or sale.

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

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business with respect to intellectual property. Although we are not currently subject to any claims from third parties asserting infringement of their intellectual property rights, in the future, we may receive claims from third parties asserting infringement of their intellectual property rights. Future litigation may be necessary to establish our intellectual property rights or to defend ourselves by determining the scope, enforceability and validity of third-party intellectual property rights. There can be no assurance with respect to the outcome of any current or future litigation brought by or against us, and the outcome of any such litigation could have a material adverse impact on our business, operating results and financial condition. Litigation is inherently unpredictable and outcomes are uncertain. Further, as the costs and outcome of these types of claims and proceedings can vary significantly, it is difficult to estimate potential losses that may occur. Accordingly, we are unable at this time to estimate the effects of these potential future lawsuits on our financial condition, operations or cash flows.

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

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

As of September 30, 2020, we own, co-own, or have an exclusive license in certain fields of use to more than 150 patents and pending applications in the United States and foreign jurisdictions. This portfolio includes 43 issued and allowed U.S. patents and applications and 24 granted and allowed foreign patents and applications, respectively.

We have not pursued or maintained, and may not pursue or maintain in the future, patent protection for our products in every country or territory in which we may sell our products. In addition, we cannot be sure that any of our pending patent applications or pending trademark applications will issue or that, if issued, they will issue in a form that will be advantageous to us. The U.S. Patent and Trademark Office, or the USPTO, international patent offices or judicial bodies may deny or significantly narrow claims made under our patent applications and our issued patents may be successfully challenged, may be designed around, or may otherwise be of insufficient scope to provide us with protection for our commercial products. Further, the USPTO, international trademark offices or judicial bodies may deny our trademark applications and, even if published or registered, these trademarks may not effectively protect our brand and goodwill. Like patents, trademarks also may be successfully opposed or challenged.

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

The market for biopharmaceuticals, pharmaceuticals and treatments for diseases of aging is highly competitive and subject to rapid technological change. Our success depends, in part, upon our ability to maintain a competitive position in the development and protection of technologies and products for use in these fields and upon our ability to obtain, maintain and enforce our intellectual property rights in connection therewith. We seek to obtain and maintain patents and other intellectual property rights to restrict the ability of others to market products that misappropriate our technology and/or infringe our intellectual property to unfairly and illegally compete with our products. If we are unable to protect our intellectual property and proprietary rights, our competitive position and our business could be harmed, as third parties may be able to make, use, or sell products that are substantially the same as ours without incurring the sizeable development and licensing costs that we have incurred, which would adversely affect our ability to compete in the market.

We use a combination of patents, trademarks, know-how, confidentiality procedures and contractual provisions to protect our proprietary technology. However, these protections may not be adequate and may not provide us with any competitive advantage. For example, patents may not issue from any of our currently pending or any future patent applications, and our issued patents and any future patents that may issue may not survive legal challenges to their scope, validity or enforceability, or provide significant protection for us.

If we or one of our current or future collaborators were to initiate legal proceedings against a third party to enforce a patent covering one of our lead drug candidates or future drug candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in the U.S., defendant counterclaims alleging invalidity and/or unenforceability are commonplace.

Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation

that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. Third parties may also raise similar claims before the USPTO, even outside the context of litigation. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our drug candidates. Such a loss of patent protection would have a material adverse impact on our business.

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

Patent law can be highly uncertain and involve complex legal and factual questions for which important principles remain unresolved. In the U.S. and in many international jurisdictions, policy regarding the breadth of claims allowed in patents can be inconsistent. The U.S. Supreme Court and the Court of Appeals for the Federal Circuit have made, and will likely continue to make, changes in how the patent laws of the U.S. are interpreted. Similarly, international courts have made, and will likely continue to make, changes in how the patent laws in their respective jurisdictions are interpreted. We cannot predict future changes in the interpretation of patent laws or changes to patent laws that might be enacted into law by U.S. and international legislative bodies. Those changes may materially affect our patents, our ability to obtain patents or the patents and patent applications of our licensors.

Patent reform legislation in the U.S. could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. For example, on September 16, 2011, the Leahy-Smith America Invents Act, or Leahy-Smith Act, was signed into law. The Leahy-Smith Act included a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted, redefine prior art, may affect patent litigation, and switch the U.S. patent system from a “first-to-invent” system to a “first-to-file” system. Under a “first-to-file” system, assuming the other requirements for patentability are met, the first inventor to file a patent application generally will be entitled to the patent on an invention regardless of whether another inventor had made the invention earlier. The U.S. Patent and Trademark Office 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. 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, which could have a material adverse effect on our business and financial condition.

In addition, we have a number of international patents and patent applications and expect to continue to pursue patent protection in many of the significant markets in which we intend to do business. The laws of some international jurisdictions may not protect intellectual property rights to the same extent as laws in the U.S., and many companies have encountered significant difficulties in obtaining, protecting, and defending such rights in international jurisdictions. If we encounter such difficulties or we are otherwise precluded from effectively protecting our intellectual property rights in international jurisdictions, our business prospects could be substantially harmed.

Varying filing dates in international countries may also permit intervening third parties to allege priority to certain technology.

Patent terms may be shortened or lengthened by, for example, terminal disclaimers, patent term adjustments, supplemental protection certificates, and patent term extensions. Patent term extensions and supplemental protection certificates, and the like, may be impacted by the regulatory process and may not significantly lengthen the patent term. Non-payment or delay in payment of patent fees or annuities, delay in patent filings or delay in extension

filing (including any patent term extension or adjustment filing), whether intentional or unintentional, may also result in the loss of patent rights important to our business. Certain countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to other parties. In addition, many countries limit the enforceability of patents against other parties, including government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of any patents.

In addition to the protection afforded by patents, we rely on confidentiality agreements to protect confidential information and proprietary know-how that is not patentable or that we elect not to patent, processes for which patents are difficult to enforce and any other elements of our drug candidate discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our employees, consultants, scientific advisors and contractors. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our confidential information or proprietary technology and processes. We also seek to preserve the integrity and confidentiality of our data and other confidential information by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached and detecting the disclosure or misappropriation of confidential information and enforcing a claim that a party illegally disclosed or misappropriated confidential information is difficult, expensive and time-consuming, and the outcome is unpredictable. Further, we may not be able to obtain adequate remedies for any breach. In addition, our confidential information may otherwise become known or be independently discovered by competitors, in which case we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. We may in the future rely on trade secret protection, which would be subject to the risks identified above with respect to confidential information.

Monitoring unauthorized use of our intellectual property is difficult and costly. From time to time, we review our competitors' products, and may in the future seek to enforce our patents or other rights against potential infringement. However, the steps we have taken to protect our proprietary rights may not be adequate to prevent misappropriation of our intellectual property. We may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Our competitors may also independently develop similar technology. Any inability to meaningfully protect our intellectual property could result in competitors offering products that incorporate our product or service features, which could reduce demand for our products. In addition, we may need to defend our patents from third-party challenges, such as (but not limited to) interferences, derivation proceedings, reexamination proceedings, post-grant review, inter partes review, third-party submissions, oppositions, nullity actions or other patent proceedings. We may need to initiate infringement claims or litigation.

Adverse proceedings such as litigation can be expensive, time consuming and may divert the efforts of our technical and managerial personnel, which could in turn harm our business, whether or not we receive a determination favorable to us. In addition, in an infringement proceeding, a court or other judicial body may decide that the patent we seek to enforce is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that the patent in question does not cover the technology in question. An adverse result in any litigation could put one or more of our patents at risk of being invalidated or interpreted narrowly. Some of our competitors may be able to devote significantly more resources to intellectual property litigation and may have significantly broader patent portfolios to assert against us if we assert our rights against them. Further, because of the substantial discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be disclosed or otherwise compromised during litigation.

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

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

Certain provisions in our intellectual property agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could affect the scope of our rights to the relevant intellectual property or technology, or affect financial or other obligations under the relevant agreement,

either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact conceives or develops intellectual property that we regard as our own. Our assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

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

We may also be subject to claims that former employees, collaborators or other third parties have an ownership interest in our patents or other intellectual property. Litigation may be necessary to defend against these and other claims challenging inventorship or ownership. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and distraction to management and other employees.

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

Filing, prosecuting and defending patents on drug candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the U.S. can be less extensive than those in the U.S. 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 U.S. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the U.S., or from selling or importing products made using our inventions in and into the U.S. or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the U.S. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

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

Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

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

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented, declared generic or conflict with third-party rights. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers in our markets of interest. In addition, third parties may file first for our trademarks in certain countries. If they succeeded in registering such trademarks, and if we were not successful in challenging such third-party rights, we may not be able to use these trademarks to market our products in those countries. In such cases, over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then our marketing abilities may be impacted.

***If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.***

We may not be able to protect our proprietary information and technology adequately. Although we use reasonable efforts to protect our proprietary information, technology, and know-how, our employees, consultants, contractors and outside scientific advisors may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third party illegally obtained and is using any of our proprietary information, technology or know-how is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the U.S. are sometimes less willing to protect proprietary information, technology, and know-how. We rely, in part, on non-disclosure and confidentiality agreements with our employees, consultants and other parties to protect our proprietary information, technology, and know-how. These agreements may be breached and we may not have adequate remedies for any breach. Moreover, others may independently develop similar or equivalent proprietary information, and third parties may otherwise gain access to our proprietary knowledge.

#### **Risks Related to Government Regulation**

***Even if we obtain regulatory approval for a drug candidate, our products will remain subject to regulatory scrutiny.***

If our drug candidates are approved, they will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information, including both federal and state requirements in the U.S. and requirements of comparable foreign regulatory authorities.

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

We will have to comply with requirements concerning advertising and promotion for our products. Promotional communications with respect to prescription drugs and biologics are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved label. As such, we may not promote our products for indications or uses for which they do not have approval. The holder of an approved application must submit new or supplemental applications and obtain approval for certain changes to the approved product, product labeling, or manufacturing process. We could also be asked to conduct post-marketing clinical studies to verify the safety and efficacy of our products in general or in specific patient subsets. An unsuccessful post-marketing study or failure to complete such a study could result in the withdrawal of marketing approval.

If a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, or disagrees with the promotion, marketing or labeling of a product, such regulatory agency may impose restrictions on that product or us, including requiring withdrawal of the product from the market. If we fail to comply with applicable regulatory requirements, a regulatory agency or enforcement authority may, among other things:

- issue warning letters;
- impose civil or criminal penalties;
- suspend or withdraw regulatory approval;
- suspend any of our clinical studies;
- refuse to approve pending applications or supplements to approved applications submitted by us;
- impose restrictions on our operations, including closing our contract manufacturers' facilities; or

- seize or detain products or require a product recall.

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

Moreover, the policies of the FDA and of other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the U.S. or abroad. For example, certain policies of the Trump administration may impact our business and industry.

Namely, the Trump administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict how these orders will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose restrictions on the FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted. In addition, 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.

***If any of our small molecule drug candidates obtain regulatory approval, additional competitors could enter the market with generic versions of such drugs, which may result in a material decline in sales of affected products.***

Under the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, a pharmaceutical manufacturer may file an abbreviated new drug application, or ANDA, seeking approval of a generic version of an approved, small molecule innovator product. Under the Hatch-Waxman Act, a manufacturer may also submit a new drug application, or NDA, under section 505(b)(2) of the Federal Food, Drug, and Cosmetic Act that

references the FDA's prior approval of the small molecule innovator product. A 505(b)(2) NDA product may be for a new or improved version of the original innovator product. The Hatch-Waxman Act also provides for certain periods of regulatory exclusivity, which preclude FDA approval (or in some circumstances, FDA filing and review) of an ANDA or 505(b)(2) NDA. In addition to the benefits of regulatory exclusivity, an innovator NDA holder may have patents claiming the active ingredient, product formulation or an approved use of the drug, which would be listed with the product in the FDA publication, "Approved Drug Products with Therapeutic Equivalence Evaluations," known as the Orange Book. If there are patents listed in the Orange Book for a product, a generic or 505(b)(2) applicant that seeks to market its product before expiration of the patents must include in their applications what is known as a "Paragraph IV" certification, challenging the validity or enforceability of, or claiming non-infringement of, the listed patent or patents. Notice of the certification must be given to the patent owner and NDA holder and if, within 45 days of receiving notice, either the patent owner or NDA holder sues for patent infringement, approval of the ANDA or 505(b)(2) NDA is stayed for up to 30 months.

Accordingly, if any of our small molecule drug candidates, such as UBX0101 or UBX1967, are approved, competitors could file ANDAs for generic versions of our small molecule drug products or 505(b)(2) NDAs that reference our small molecule drug products. If there are patents listed for our small molecule drug products in the Orange Book, those ANDAs and 505(b)(2) NDAs would be required to include a certification as to each listed patent indicating whether the ANDA applicant does or does not intend to challenge the patent. We cannot predict which, if any, patents in our current portfolio or patents we may obtain in the future will be eligible for listing in the Orange Book, how any generic competitor would address such patents, whether we would sue on any such patents, or the outcome of any such suit.

We may not be successful in securing or maintaining proprietary patent protection for products and technologies we develop or license. Moreover, if any of our owned or in-licensed patents that are listed in the Orange Book are successfully challenged by way of a Paragraph IV certification and subsequent litigation, the affected product could immediately face generic competition and its sales would likely decline rapidly and materially.



***Any biologic, or large molecule, drug candidates for which we intend to seek approval may face competition sooner than anticipated.***

If we are successful in achieving regulatory approval to commercialize any biologic drug candidate faster than our competitors, such drug candidates may face competition from biosimilar products. In the U.S., large molecule drug candidates are regulated by the FDA as biologic products subject to approval under the biologics license application, or BLA, pathway. The Biologics Price Competition and Innovation Act of 2009, or BPCIA, creates an abbreviated pathway for the approval of biosimilar and interchangeable biologic products following the approval of an original BLA. 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 brand product. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the original branded product was approved under a BLA. 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.

Moreover, the extent to which a biosimilar product, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biologic products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing. In addition, a competitor could decide to forego the biosimilar approval path and submit a full BLA after completing its own preclinical studies and clinical studies. In such cases, any exclusivity to which we may be eligible under the BPCIA would not prevent the competitor from marketing its product as soon as it is approved.

If competitors are able to obtain marketing approval for biosimilars referencing our large molecule drug candidates, if approved, such products may become subject to competition from such biosimilars, with the attendant competitive pressure and potential adverse consequences. Such competitive products may be able to immediately compete with us in each indication for which our drug candidates may have received approval.

***We may seek orphan drug designation for certain future drug candidates, but we may be unable to obtain such designations or to maintain the benefits associated with orphan drug designation, including market exclusivity, which may cause our revenue, if any, to be reduced.***

We may pursue orphan drug designation for certain of our future drug candidates. Under the Orphan Drug Act, the FDA may designate a drug or biologic product as an orphan drug if it is intended to treat a rare disease or condition, defined as a patient population of fewer than 200,000 in the U.S., or a patient population greater than 200,000 in the U.S. where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the U.S. In the European Union, the EMA’s Committee for Orphan Medicinal Products, or COMP, grants orphan drug designation to promote the development of products that are intended for the diagnosis, prevention, or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 persons in the European Union. Additionally, designation is granted for products intended for the diagnosis, prevention, or treatment of a life-threatening, seriously debilitating or serious and chronic condition when, without incentives, it is unlikely that sales of the drug in the European Union would be sufficient to justify the necessary investment in developing the drug or biological product or where there is no satisfactory method of diagnosis, prevention, or treatment, or, if such a method exists, the medicine must be of significant benefit to those affected by the condition.

In the U.S., orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical study costs, tax advantages, and application fee waivers. In addition, if a product receives the first FDA approval for the indication for which it has orphan designation, the product is entitled to orphan drug exclusivity, which means the FDA may not approve any other application to market the same drug for the same indication for a period of seven years, except in limited circumstances, such as a showing of clinical superiority over the product with orphan exclusivity or where the manufacturer is unable to assure sufficient product quantity for the orphan patient population. In the European Union, orphan drug designation entitles a party to financial incentives such as reduction of fees or fee waivers and ten years of market exclusivity following drug or biological product approval. This period may be reduced to six years if the orphan drug designation criteria are no longer met, including where it is shown that the product is sufficiently profitable not to justify maintenance of market exclusivity.

Even if we obtain orphan drug designation, we may not be the first to obtain marketing approval for any particular orphan indication due to the uncertainties associated with developing pharmaceutical products. Further, even if we obtain orphan drug exclusivity for a drug candidate, that exclusivity may not effectively protect the product from

competition because different drugs with different active moieties can be approved for the same condition. Even after an orphan drug is approved, the FDA or EMA can subsequently approve the same drug with the same active moiety for the same condition if the FDA or EMA concludes that the later drug is clinically superior in that it is safer, more effective, or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug or biologic nor gives the drug or biologic any advantage in the regulatory review or approval process.

***Enacted and future healthcare legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our drug candidates and may affect the prices we may set.***

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

- an annual, non-deductible fee payable by any entity that manufactures or imports certain branded prescription drugs and biologic agents (other than those designated as orphan drugs), which is apportioned among these entities according to their market share in certain government healthcare programs;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 70% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13.0% of the average manufacturer price for branded and generic drugs, respectively;
- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected;
- extension of a manufacturer's Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- creation of the Independent Payment Advisory Board, which, once empaneled, will have the authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law unless overruled by a supermajority vote of Congress; and
- establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services, or CMS, to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the Affordable Care Act. For example, the Tax Cuts and Jobs Act of 2017, or the Tax Act, includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual

mandate”. Additionally, on December 14, 2018, a U.S. District Court Judge in Texas ruled that the ACA is unconstitutional in its entirety because the “individual mandate” was repealed by Congress as part of the Tax Act. On December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the district court’s decision that the individual mandate was unconstitutional but remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. On March 2, 2020, the U.S. Supreme Court granted the petitions for writs of certiorari to review the case, although it is unclear when a decision will be made or how the Supreme Court will rule. In addition, there may be other efforts to challenge, repeal or replace the ACA that may impact our business or financial condition.

In addition, other legislative changes have been proposed and adopted in the U.S. since the Affordable Care Act was enacted. In August 2011, the Budget Control Act of 2011, among other things, led to aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect in April 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2030, with the exception of a temporary suspension from May 1, 2020 through December 31, 2020, unless additional action is taken by Congress. In addition, in January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Individual states in the U.S. have also become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Legally mandated price controls on payment amounts by third-party payors or other restrictions could harm our business, results of operations, financial condition and prospects. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. This could reduce the ultimate demand for our drug candidates or put pressure on our product pricing. Moreover, payment methodologies may be subject to changes in healthcare legislation and regulatory initiatives. For example, CMS may develop new payment and delivery models, such as bundled payment models. In addition, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products.

In the EU, similar political, economic and regulatory developments may affect our ability to profitably commercialize our drug candidates, if approved. In addition to continuing pressure on prices and cost containment measures, legislative developments at the EU or member state level may result in significant additional requirements or obstacles that may increase our operating costs. The delivery of healthcare in the EU, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than EU, law and policy. National governments and health service providers have different priorities and approaches to the delivery of health care and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most EU member states have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers. Coupled with ever-increasing EU and national regulatory burdens on those wishing to develop and market products, this could prevent or delay marketing approval of our drug candidates, restrict or regulate post-approval activities and affect our ability to commercialize our drug candidates, if approved. In markets outside of the U.S. and EU, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies.

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

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

Our business operations and current and future arrangements with investigators, healthcare professionals, consultants, third-party payors, patient organizations and customers, may expose us to broadly applicable fraud and

abuse and other healthcare laws and regulations. These laws may constrain the business or financial arrangements and relationships through which we conduct our operations, including how we research, market, sell and distribute our drug candidates, if approved.

Such laws include:

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

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

***Changes in and failures to comply with U.S. and foreign privacy and data protection laws, regulations and standards may adversely affect our business, operations and financial performance.***

We are subject to or affected by numerous federal, state and foreign laws and regulations, as well as regulatory guidance, governing the collection, use, disclosure, retention, and security of personal information, such as information that we collect about patients and healthcare providers in connection with clinical trials in the United States and abroad. The global data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. This evolution may create uncertainty in our business, affect our or any service providers', contractors' or future collaborators' ability to operate in certain jurisdictions or to collect, store, transfer use and share personal information, necessitate the acceptance of more onerous obligations in our contracts, result in liability or impose additional costs on us. The cost of compliance with these laws, regulations and standards is high and is likely to increase in the future. Any failure or perceived failure by us or our collaborators, service providers and contractors to comply with federal, state or foreign laws or regulation, our internal policies and procedures or our contracts governing processing of personal information could result in negative publicity, diversion of management time and effort and proceedings against us by governmental entities or others. In many jurisdictions, enforcement actions and consequences for noncompliance are rising.

In the United States, HIPAA imposes privacy, security and breach reporting obligations with respect to individually identifiable health information upon "covered entities" (health plans, health care clearinghouses and certain health care providers), and their respective business associates, individuals or entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HIPAA mandates the reporting of certain breaches of health information to HHS, affected individuals and if the breach is large enough, the media. Entities that are found to be in violation of HIPAA as the result of a breach of unsecured protected health information, a complaint about privacy practices or an audit by HHS, may be subject to significant civil, criminal and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance. Even when HIPAA does not apply, according to the Federal Trade Commission, or the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal information secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Individually identifiable health information is considered sensitive data that merits stronger safeguards.

In addition, certain state laws govern the privacy and security of personal information, including health-related information, in certain circumstances, some of which are more stringent than HIPAA and many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts. Failure to comply with these laws, where applicable, can result in the imposition of significant civil and/or criminal penalties and private litigation. For example, California enacted the California Consumer Privacy Act, or the CCPA, on June 28, 2018, which went into effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business.

Our operations abroad may also be subject to increased scrutiny or attention from data protection authorities. Many countries in these regions have established or are in the process of establishing privacy and data security legal frameworks with which we, our collaborators, service providers, including our CRO, and contractors must comply. For example, the EU General Data Protection Regulation, or GDPR, went into effect in May 2018 and imposes strict requirements for processing the personal information of subjects within the EEA and the United Kingdom, including clinical trial data. Further, applicable privacy laws and court decisions could impact our ability to transfer personal data internationally. Recent legal developments in Europe have created complexity and compliance uncertainty regarding certain transfers of personal data from the EEA. For example, on July 16, 2020, the Court of Justice of the European Union, or the CJEU invalidated the EU-US Privacy Shield Framework, or the Privacy Shield, under which personal data could be transferred from the EEA to United States entities who had self-certified under the Privacy Shield scheme. As a result, the Privacy Shield is no longer a valid mechanism for transferring personal data from the EEA to the United States. Moreover, it is uncertain whether standard contractual clauses will also be invalidated by the European courts or legislature as a mechanism to comply with EU data protection requirements for data transfers. The GDPR has and will continue to increase compliance burdens on us, including by mandating potentially burdensome documentation requirements and granting certain rights to individuals to control how we collect, use, disclose, retain and process information about them. The processing of sensitive personal data, such as health data, may impose heightened compliance burdens under the GDPR and is a topic of active interest among foreign regulators.

In addition, the GDPR provides for more robust regulatory enforcement and fines of up to €20 million or 4% of the annual global revenue of the noncompliant company, whichever is greater. Further, following the United Kingdom's withdrawal from the EU and the EEA and the end of the transition period on December 31, 2020, we will have to comply with the GDPR and the GDPR as incorporated into United Kingdom national law, the latter regime having the ability to separately fine up to the greater of £17.5 million or 4% of global turnover. The relationship between the United Kingdom and the EU in relation to certain aspects of data protection law remains unclear, for example around how data can lawfully be transferred between each jurisdiction, which exposes us to further compliance risk. As we expand into other foreign countries and jurisdictions, we may be subject to additional laws and regulations that may affect how we conduct business.

***Recent U.S. tax legislation and future changes to applicable U.S. tax laws and regulations may have a material adverse effect on our business, financial condition and results of operations.***

Changes in laws and policy relating to taxes may have an adverse effect on our business, financial condition and results of operations. For example, the U.S. government recently enacted significant tax reform, and certain provisions of the new law for tax years beginning after December 31, 2017 may adversely affect us. Changes include, but are not limited to, a federal corporate tax rate decrease to 21%, a reduction to the maximum deduction allowed for net operating losses generated in tax years after December 31, 2017, eliminating carrybacks of net operating losses, and providing for indefinite carryforwards for losses generated in tax years after December 31, 2017. The legislation is unclear in many respects and could be subject to potential amendments and technical corrections and will be subject to interpretations and implementing regulations by the Treasury and Internal Revenue Service, any of which could mitigate or increase certain adverse effects of the legislation. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation. Generally, future changes in applicable U.S. tax laws and regulations, or their interpretation and application could have an adverse effect on our business, financial conditions and results of operations.

#### **Risks Related to Ownership of Our Common Stock**

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

The trading price of our common stock may be highly volatile and may be subject to wide fluctuations in response to various factors, some of which are beyond our control.

These factors include those discussed in this "Risk Factors" section of this report and others such as:

- results from, and any delays in, commencing, conducting or completing our clinical studies for our lead drug candidates, or any other future clinical development programs;

- announcements by academic or other third parties challenging the fundamental premises underlying our approach to treating diseases of aging and/or drug development;
- announcements of regulatory approval or disapproval of our current or any future drug candidates;
- failure or discontinuation of any of our research and development programs;
- announcements relating to future licensing, collaboration, or development agreements;
- delays in the commercialization of our current or any future drug candidates;
- public misperception regarding the use of our therapies, or public bias of against “anti-aging” companies;
- acquisitions and sales of new products, technologies, or businesses;
- manufacturing and supply issues related to our drug candidates for clinical studies or future drug candidates for commercialization;
- quarterly variations in our results of operations or those of our future competitors;
- changes in earnings estimates or recommendations by securities analysts;
- announcements by us or our competitors of new products, significant contracts, commercial relationships, acquisitions, or capital commitments;
- developments with respect to intellectual property rights;
- our commencement of, or involvement in, litigation;
- changes in financial estimates or guidance, including our ability to meet our future revenue and operating profit or loss estimates or guidance;
- any major changes in our board of directors or management;
- new legislation in the U.S. relating to the sale or pricing of pharmaceuticals;
- FDA or other U.S. or foreign regulatory actions affecting us or our industry;
- product liability claims or other litigation or public concern about the safety of our drug candidates;
- market conditions in the pharmaceutical, biopharmaceutical and biotechnology sectors; and
- general economic conditions in the U.S. and abroad.

In addition, the stock markets in general, and the markets for pharmaceutical, biopharmaceutical, and biotechnology stocks in particular, have experienced extreme volatility as a result of the COVID-19 pandemic that may be unrelated to the operating performance of the issuer. These broad market fluctuations may adversely affect the trading price or liquidity of our common stock. In the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the issuer. If any of our stockholders were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the attention of our management would be diverted from the operation of our business.

***An active, liquid and orderly market for our common stock may not develop and may not be maintained.***

Prior to our initial public offering in May 2018, there was no public market for shares of our common stock. Although our common stock is listed on the Nasdaq Global Select Market, an active trading market for our common stock may never be sustained on the Nasdaq Global Select or any other exchange in the future. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider

reasonable. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other businesses, applications, or technologies using our shares as consideration.

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

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. In the event any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our clinical 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 are an “emerging growth company” and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our common stock may be less attractive to investors.***

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

We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” which may allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act. We will remain an emerging growth company until the earlier of (1) the last day of the year following the fifth anniversary of the consummation of our IPO, (2) the last day of the year in which we have total annual gross revenue of at least \$1.07 billion, (3) the last day of the year in which we are deemed to be a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeded \$700.0 million as of the last business day of the second fiscal quarter of such year or (4) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period.

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

We may from time to time issue additional shares of common stock at a discount from the current trading price of our common stock. As a result, our stockholders would experience immediate dilution upon the purchase of any shares of our common stock sold at such discount. In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities, preferred stock or common stock. For example, on June 3, 2019, we filed a Registration Statement on Form S-3, covering the offering of up to \$250.0 million of shares of common stock, preferred stock, debt securities, warrants and units, and entered into a sales agreement, or the June 2019 Sales Agreement, with Cowen and Company, LLC, or Cowen, to sell shares of our common stock, from time to time, with aggregate gross sales proceeds of up to \$75.0 million, through an at-the-market equity offering program under which Cowen acts as our sales agent. On July 31, 2020, we entered into the July 2020 Sales Agreement with Cowen to sell shares of our common stock, from time to time, with aggregate gross sales proceeds of up to \$50.0 million, through our Additional ATM Offering Program under which Cowen acts as our sales agent. As of December 31, 2019, we had sold 3,974,908 shares of common stock under the June 2019 Sales Agreement for total net proceeds of \$26.1 million. If we issue common stock or securities convertible into



common stock, our common stockholders would experience additional dilution and, as a result, our stock price may decline. During the nine months ended September 30, 2020, we issued and sold 5,002,257 shares of our common stock through our ATM Offering Program and received net proceeds of approximately \$37.3 million, after deducting commissions and other offering expenses of \$1.3 million. There have been no shares sold under our Additional ATM Offering Program as of September 30, 2020.

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

As of September 30, 2020, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially owned approximately 54.1% of our voting stock. Therefore, these stockholders have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders.

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

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. Moreover, holders of approximately 12 million shares of our common stock 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 have registered and intend to continue to register all shares of common stock that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates.

***We incur increased costs as a result of operating as a public company, and our management devote substantial time to new compliance initiatives. We may fail to comply with the rules that apply to public companies, including Section 404 of the Sarbanes-Oxley Act of 2002, which could result in sanctions or other penalties that would harm our business.***

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

We are subject to Section 404 of The Sarbanes-Oxley Act of 2002, or Section 404, and the related rules of the SEC, which generally require our management and independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. Section 404 requires an annual management assessment of the effectiveness of our internal control over financial reporting. However, for so long as we remain an emerging growth company as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404. Once we are no longer an emerging growth company or, if prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal controls over financial reporting.

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

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

We have incurred substantial losses during our history and do not expect to become profitable in the near future, and we may never achieve profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset a portion of future taxable income, if any, until such unused losses expire, if ever. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards, or NOLs, and other pre-change tax attributes (such as research and development tax credits) to offset its post- change income or taxes may be limited. We may have experienced ownership changes prior to December 31, 2019 and may experience ownership changes in the future as a result of subsequent shifts in our stock ownership (some of which shifts are outside our control). As a result, if we earn net taxable income, our ability to use our pre-change NOLs to offset such taxable income could be subject to limitations. Similar provisions of state tax law may also apply. As a result, even if we attain profitability, we may be unable to use a material portion of our NOLs and other tax attributes. Additionally, the Tax Act, which was enacted on December 22, 2017, significantly reforms the Code, including changes to the rules governing net operating loss carryforwards arising in tax years ending after December 31, 2017. For net operating loss carryforwards, the Tax Act limits a taxpayer’s ability to utilize such carryforwards to 80% of taxable income. In addition, net operating loss carryforwards arising in tax years ending after December 31, 2017 can be carried forward indefinitely, but carryback is generally prohibited. Net operating loss carryforwards generated by us before January 1, 2018 will not be subject to the taxable income limitation and will continue to have a twenty- year carryforward period. However, the changes in the carryforward and carryback periods as well as the new limitation on use of net operating losses may significantly impact our ability to use net operating loss carryforwards generated after December 31, 2017, as well as the timing of any such use, and could adversely affect our results of operations.

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

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent changes in control or changes in our management without the consent of our board of directors. These provisions include the following:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to authorize the issuance of shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;

- the ability of our board of directors to alter our amended and restated bylaws without obtaining stockholder approval;
- the required approval of at least 66 2/3% of the shares entitled to vote at an election of directors to adopt, amend or repeal our amended and restated bylaws or repeal the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chief executive officer or the president or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

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

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

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

In addition, as permitted by Section 145 of the Delaware General Corporation Law, our amended and restated bylaws and our indemnification agreements that we have entered into with our directors and officers provide that:

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

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

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

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

### a) Sales of Unregistered Securities

During the three months ended September 30, 2020, we issued 133,334 shares of our common stock to Ascentage Pharma and an academic institution pursuant to the Commercial Agreements. The issuance of such was made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506 promulgated thereunder, and Ascentage represented to us that it is an “accredited investor” within the meaning of Rule 501 under the Securities Act. Accordingly, the shares have not been registered under the Securities Act, and until so registered, these securities may not be offered or sold in the United States absent registration or availability of an applicable exemption from registration. No underwriting discounts or commissions or similar fees were payable in connection with the issuance.

### b) Use of Proceeds from our Initial Public Offering of Common Stock

On May 2, 2018, the U.S. Securities and Exchange Commission declared effective our registration statement on Form S-1 (File No. 333-224163), as amended, filed in connection with our initial public offering (IPO). There has been no material change in the planned use of proceeds from our IPO from that described in the related Prospectus.

### c) Repurchase of Shares or of Company Equity Securities

None.

## **Item 3. Default Upon Senior Securities**

None.

## **Item 4. Mine Safety Disclosures**

Not applicable.

## **Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	<a href="#">Amended and Restated Certificate of Incorporation.</a>	8-K	5/7/2018	3.1	
3.2	<a href="#">Amended and Restated Bylaws.</a>	8-K	5/7/2018	3.2	
4.1	Reference is made to exhibits 3.1 through 3.2.				
4.2	<a href="#">Form of Common Stock Certificate.</a>	S-1/A	4/23/2018	4.2	
4.3	<a href="#">Amended and Restated Investors' Rights Agreement, dated as of March 15, 2018 by and among Unity Biotechnology, Inc. and the investors party thereto.</a>	S-1	4/5/2018	4.3	
4.4	<a href="#">Description of Unity's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.</a>	10-K	3/11/2020	4.4	
10.1†	<a href="#">Loan and Security Agreement, dated August 3, 2020 between Unity Biotechnology, Inc. and Hercules Capital, Inc.</a>	8-K	8/4/2020	10.1	
10.2##††	<a href="#">Executive Employment Agreement, dated August 1, 2020, by and between Unity Biotechnology, Inc. and Lynne Sullivan</a>				X
10.3#	<a href="#">Amendment to Executive Employment Agreement, dated September 1, 2020, by and between Unity Biotechnology, Inc. and Lynne Sullivan</a>				X
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
32.1*	<a href="#">Certification by the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				X
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	The cover page from the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2020, has been formatted in Inline XBRL.				X

\* The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Unity Biotechnology, Inc. under the Securities Act of 1933,

as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

# Indicates management contract or compensatory plan.

† Portions of the exhibit have been omitted pursuant to Regulation S-K, Item 601(b)(10). Such omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

†† Schedules have been omitted pursuant to Item 601(a)(5).

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Unity Biotechnology, Inc.

Date: November 4, 2020

By: /s/ Anirvan Ghosh  
Anirvan Ghosh, Ph.D.  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 4, 2020

By: /s/ Lynne Sullivan  
Lynne Sullivan  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## UNITY BIOTECHNOLOGY, INC.

**EMPLOYMENT AGREEMENT**

This Employment Agreement (the "Agreement"), entered into as of August 1, 2020 (the "Effective Date"), is made by and between Unity Biotechnology, Inc., a Delaware corporation (the "Company") and Lynne Sullivan ("Executive" and, together with the Company, the "Parties"). This Agreement supersedes in its entirety that certain offer letter by and between Executive and the Company dated as of July 27, 2020 ("Offer Letter").

**WHEREAS**, the Company desires to assure itself of the services of Executive by engaging Executive to perform services as an employee of the Company under the terms hereof;

**WHEREAS**, Executive desires to provide services to the Company on the terms herein provided; and

**WHEREAS**, the Parties desire to execute this Agreement to supersede the Offer Letter in its entirety effective as of the Effective Date.

**NOW, THEREFORE**, in consideration of the foregoing, and for other good and valuable consideration, including the respective covenants and agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

**1. Employment.**

(a) General. The Company shall employ Executive upon the terms and conditions provided herein effective as of the Effective Date.

(b) Position and Duties. Effective on the Effective Date, Executive: (i) shall serve as the Company's Chief Financial Officer, with responsibilities, duties, and authority usual and customary for such position, subject to direction by the Company's Chief Executive Officer (the "CEO"); (ii) shall report directly to the CEO; and (iii) agrees promptly and faithfully to comply with all present and future policies, requirements, rules and regulations, and reasonable directions and requests, of the Company in connection with the Company's business. At the Company's request, Executive shall serve the Company and/or its subsidiaries and affiliates in such other capacities in addition to the foregoing as the Company shall designate, provided that such additional capacities are consistent with Executive's position as the Company's Chief Financial Officer. In the event that Executive serves in any one or more of such additional capacities, Executive's compensation shall not automatically be increased on account of such additional service.

(c) Performance of Executive's Duties. During Executive's employment with the Company, and except for periods of illness, vacation, disability, or reasonable leaves of absence or as discussed in Section 1(e) below, Executive shall devote Executive's full time and attention to the business and affairs of the Company pursuant to the general direction of the CEO. The rights of Executive under this Agreement shall not be affected by any change in the title, duties, or capacity of Executive during Executive's employment with the Company.

(d) Principal Office. Due to COVID-19 health pandemic, Executive will work from her home in Sudbury, Massachusetts for the foreseeable future.



(e) **Exclusivity.** Except with the prior written approval of the CEO (which the CEO may grant or withhold in the CEO's sole and absolute discretion), Executive shall devote substantially all of Executive's working time, attention, and energies to the business of the Company, except during any paid vacation or other excused absence periods. Nothing in this section prevents Executive from engaging in additional activities in connection with personal investments and community affairs. Executive may also serve as a member of the board of directors or board of advisors of another organization provided (i) such organization is not a competitor of the Company; (ii) Executive receives prior written approval from the CEO; and (iii) such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement, violate the Company's standards of conduct then in effect, or raise a conflict under the Company's conflict of interest policies. Company acknowledges that Executive currently serves on the board of directors of the companies set forth on Exhibit A and agrees Executive may continue to provide such services during the Term.

2. **Term.** The period of Executive's employment under this Agreement shall commence on the Effective Date and shall continue until Executive's employment with the Company is terminated pursuant to Section 5 below. The phrase "**Term of Employment**" as used in this Agreement shall refer to the entire period of employment of Executive by the Company.

3. **Compensation and Related Matters.**

(a) **Annual Base Salary.** During the Term of Employment, Executive shall receive a base salary at the rate of \$400,000 per annum (as may be increased from time to time, the "**Annual Base Salary**"), subject to withholdings and deductions, which shall be paid to Executive in accordance with the customary payroll practices and procedures of the Company. Such Annual Base Salary shall be reviewed by the CEO and, as applicable, the Board of Directors of the Company (the "**Board**") and/or the Compensation Committee of the Board, not less than annually.

(b) **Annual Bonus.** Executive shall be eligible to receive a discretionary annual bonus based on Executive's achievement of performance objectives as mutually agreed between Executive and the CEO and as approved by the Board and/or the Compensation Committee of the Board, such bonus to be targeted at forty percent (40%) of Executive's Annual Base Salary (the "**Annual Bonus**"). Executive's Annual Bonus for 2020 shall be pro-rated for the partial year of service based on the number of days Executive was employed by the Company during 2020. Any Annual Bonus approved by the Board and/or the Compensation Committee of the Board shall be paid at the same time annual bonuses are paid to other executives of the Company generally, subject to Executive's continuous employment through the date of approval.

(c) **Benefits.** Executive shall be entitled to participate in such employee and executive benefit plans and programs as the Company may from time to time offer to provide to its executives, subject to the terms and conditions of such plans. Notwithstanding the foregoing, nothing herein is intended, or shall be construed, to require the Company to institute or continue any, or any particular, plan or benefit.

(d) **Business Expenses.** The Company shall reimburse Executive for all reasonable, documented, out-of-pocket travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as are in effect from time to time.

(e) **Vacation.** Executive will be entitled to paid vacation in accordance with the Company's vacation policy.

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#### 4. Equity Awards.

(a) Initial Stock Option Grant. Subject to approval of the Board or the Compensation Committee of the Board, on, or as soon as administratively practicable after, the Effective Date, the Company shall grant Executive an option (the “Option”) to purchase 240,000 shares of Company common stock, pursuant to the Company’s 2018 Incentive Award Plan, as amended (the “Plan”), with an exercise price equal to the closing price of a share of Company common stock on the date of grant (or the immediately preceding trading day if the date of grant is not a trading day), as reported on the Nasdaq Global Select Market. The Option shall vest and become exercisable as to twenty-five percent (25%) of the total number of shares of Company common stock underlying the Option on the first anniversary of the Effective Date and thereafter as to 1/48<sup>th</sup> of the total number of shares of Company common stock underlying the Option on each monthly anniversary of the Effective Date, in each case, subject to Executive’s continued employment through the applicable vesting date. The Option otherwise shall be subject to the terms and conditions of the Plan and an agreement to be entered into with the Company to evidence the Option (an “Option Agreement”). In the event of any conflict between the terms of the Plan or the Option Agreement and the terms of this Agreement, the terms of this Agreement shall control.

(b) Future Equity Awards. Executive shall be eligible for such additional stock options and equity awards as may be determined by the Board and/or the Compensation Committee of the Board, in their discretion.

(c) Acceleration Upon Certain Events. Notwithstanding anything herein, in the Plan or in the Option Agreement to the contrary, in the event (i) of a Change in Control (as defined in the Plan) or (ii) the Company removes Executive from the position of Chief Financial Officer for other than Cause (as defined below), in each case, prior to the first anniversary of the Effective Date, then, subject to Executive’s delivery to the Company of a general release of claims against the Company and its affiliates in a form acceptable to the Company that becomes effective and irrevocable in accordance with Section 11(b) below, the vesting and exercisability of the Option shall thereupon accelerate as to twenty-five percent (25%) of the total number of shares of Company common stock underlying the Option that otherwise would have vested on the first anniversary of the Effective Date, and the remainder of the Option shall vest in accordance with the original vesting schedule of the Option (i.e., 1/48<sup>th</sup> per month commencing on the one year and one month anniversary of the Effective Date), subject to Executive’s continued service to the Company.

(d) Definition of Cause. For purposes hereof, “Cause” shall mean any one of the following: (i) Executive’s material violation of any applicable material law or regulation respecting the business of the Company; (ii) Executive’s conviction of, or plea of *nolo contendere* to, a felony or other crime involving moral turpitude; (iii) any act of dishonesty, fraud, or misrepresentation in relation to Executive’s duties to the Company which act is materially and demonstrably injurious to the Company; (iv) Executive’s willful and repeated failure to perform in any material respect Executive’s duties hereunder after fifteen (15) days’ notice and an opportunity to cure such failure and a reasonable opportunity to present to the Board Executive’s position regarding any dispute relating to the existence of such failure (other than on account of disability); (v) Executive’s failure to attempt in good faith to implement a clear and reasonable directive from the CEO or to comply with any of the Company’s policies and procedures which failure is either material or occurs after written notice from the CEO; (vi) any act of gross misconduct which is materially and demonstrably injurious to the Company; or (vii) Executive’s breach of fiduciary duty owed to the Company.

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**5. Termination.**

(a) At-Will Employment. The Company and Executive acknowledge that Executive's employment is and shall continue to be at-will, as defined under applicable law. This means that it is not for any specified period of time and can be terminated by Executive or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that Executive's job duties, title, and responsibility and reporting level, work schedule, compensation, and benefits, as well as the Company's personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company (subject to any ramification such changes may have under Section 4(c) of this Agreement). This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized officer of the Company. If Executive's employment terminates for any lawful reason, Executive shall not be entitled to any payments, benefits, damages, award, or compensation other than as provided in this Agreement.

(b) Notice of Termination. During the Term of Employment, any termination of Executive's employment by the Company or by Executive (other than by reason of death) shall be communicated by written notice from one Party hereto to the other Party hereto.

(c) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and board memberships, if any, then held with the Company or any of its affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

**6. Consequences of Termination.**

(a) Payments of Accrued Obligations upon all Terminations of Employment. Upon a termination of Executive's employment for any reason, Executive (or Executive's estate or legal representative, as applicable) shall be entitled to receive, within thirty (30) days after Executive's Date of Termination (or such earlier date as may be required by applicable law): (i) any portion of Executive's Annual Base Salary earned through Executive's Date of Termination not theretofore paid, (ii) any expenses owed to Executive under Section 3(d) above, (iii) any accrued but unused paid time-off owed to Executive, (iv) any Annual Bonus approved by the Board or the Compensation Committee of the Board on or prior to the Date of Termination but unpaid as of the Date of Termination, and (v) any amount arising from Executive's participation in, or benefits under, any employee benefit plans, programs, or arrangements under Section 3(c) above, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs, or arrangements. The payments and benefits described in this Section 6(a), along with any accelerated vesting provided under Section 4(c), shall be the only payments and benefits payable in the event of Executive's termination of employment for any reason.

(b) No Severance. The provisions of this Section 6, along with any accelerated vesting provided under Section 4(c), shall supersede in their entirety any severance payment provisions in any severance plan, policy, program, or other arrangement maintained by the Company for which Executive may otherwise be eligible except as otherwise approved by the Board.

**7. Assignment and Successors.** The Company shall assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise). This Agreement shall be binding upon and inure to the benefit of the Company, Executive, and their respective successors, assigns, personnel, and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or

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obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will, operation of law, or as otherwise provided herein.

**8. Miscellaneous Provisions.**

**(a) Confidentiality Agreement.** Executive shall execute the Company's standard At-Will Employment, Confidential Information, Invention and Assignment, and Arbitration Agreement (the "Confidentiality Agreement") attached hereto as Exhibit B. The Confidentiality Agreement shall survive the termination of this Agreement and Executive's employment with the Company for the applicable period(s) set forth therein. Notwithstanding the foregoing, in the event of any conflict between the terms of the Confidentiality Agreement and the terms of this Agreement, the terms of this Agreement shall prevail.

**(b) Non-Solicitation of Employees.** For a period of one (1)-year following Executive's Date of Termination, Executive shall not, either directly or indirectly (i) solicit for employment by any individual, corporation, firm, or other business, any employees, consultants, independent contractors, or other service providers of the Company or any of its affiliates, or (ii) solicit any employee or consultant of the Company or any of its affiliates to leave the employment or consulting of or cease providing services to the Company or any of its affiliates; *provided, however*, that the foregoing clauses (i) and (ii) shall not apply to a general advertisement or solicitation (or any hiring pursuant to such advertisement or solicitation) that is not specifically targeted to such employees or consultants.

**(c) Governing Law.** This Agreement shall be governed, construed, interpreted, and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the State of California, without giving effect to any principles of conflicts of law, whether of the State of California or any other jurisdiction, and where applicable, the laws of the United States, that would result in the application of the laws of any other jurisdiction.

**(d) Validity.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

**(e) Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile shall be deemed effective for all purposes.

**(f) Entire Agreement.** The terms of this Agreement, together with the Confidentiality Agreement, are intended by the Parties to be the final expression of their agreement with respect to the employment of Executive by the Company and supersede all prior understandings and agreements, whether written or oral, regarding Executive's service to the Company, including without limitation, the Offer Letter. The Parties further intend that this Agreement, together with the Confidentiality Agreement, shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement or the Confidentiality Agreement. Notwithstanding the foregoing, in the event of any conflict between the terms of the Confidentiality Agreement and the terms of this Agreement, the terms of this Agreement shall prevail.

**(g) Amendments; Waivers.** This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by Executive and a duly authorized representative of the Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company, as applicable, may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided, however*,

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that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

**(h)** Dispute Resolution. Executive and the Company affirm the Parties' obligations under Section 12 of the Confidentiality Agreement and hereby agree that any dispute, claim or controversy arising under this Agreement shall be subject to Section 12 of the Confidentiality Agreement as a dispute, claim or controversy arising from, relating to or resulting from Executive's employment.

**(i)** Enforcement. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

**(j)** Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local, or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

**(k)** Whistleblower Protections and Trade Secrets. Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (i) Executive shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (x) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (y) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

**9.** Prior Employment. Executive represents and warrants that Executive's acceptance of employment with the Company has not breached, and the performance of Executive's duties hereunder will not breach, any duty owed by Executive to any prior employer or other person. Executive further represents and warrants to the Company that (a) the performance of Executive's obligations hereunder will not violate any agreement between Executive and any other person, firm, organization, or other entity; (b) Executive is not bound by the terms of any agreement with any previous employer or other party to refrain from competing, directly or indirectly, with the business of such previous employer or other party that would be violated by Executive entering into this Agreement and/or providing services to the Company pursuant to the terms of this Agreement; and (c) Executive's performance of Executive's duties under this Agreement will not require Executive to, and Executive shall not, rely on in the performance of Executive's duties or disclose to the Company or any other person or entity or induce the Company in any way to use or rely on

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any trade secret or other confidential or proprietary information or material belonging to any previous employer of Executive.

**10. Golden Parachute Excise Tax.**

(a) **Best Pay.** Any provision of this Agreement to the contrary notwithstanding, if any payment or benefit Executive would receive from the Company pursuant to this Agreement or otherwise (“Payment”) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Code and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then such Payment will be equal to the Reduced Amount (as defined below). The “Reduced Amount” will be either (A) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (B) the entire Payment, whichever amount after taking into account all applicable federal, state, and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive’s receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (A) of the preceding sentence, the reduction shall occur in the manner (the “Reduction Method”) that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the “Pro Rata Reduction Method”). Notwithstanding the foregoing, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A (as defined below) that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (1) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (2) as a second priority, Payments that are contingent on future events (e.g., being terminated without cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (3) as a third priority, Payments that are “deferred compensation” within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

(b) **Accounting Firm.** The accounting firm engaged by the Company for general tax purposes as of the day prior to the Change in Control will perform the calculations set forth in Section 10(a) above. If the firm so engaged by the Company is serving as the accountant or auditor for the acquiring company, the Company will appoint a nationally recognized accounting firm to make the determinations required hereunder. The Company will bear all expenses with respect to the determinations by such firm required to be made hereunder. The accounting firm engaged to make the determinations hereunder will provide its calculations, together with detailed supporting documentation, to the Company within thirty (30) days before the consummation of a Change in Control (if requested at that time by the Company) or such other time as requested by the Company. If the accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it will furnish the Company with documentation reasonably acceptable to the Company that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder will be final, binding and conclusive upon the Company and Executive.

**11. Section 409A.**

(a) **General.** The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such

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regulations or other guidance that may be issued after the Effective Date, (“Section 409A”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If Executive notifies the Company that Executive has received advice of tax counsel of a national reputation with expertise in Section 409A that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefor) or the Company independently makes such determination, the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, *provided* that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

**(b)** Release. Notwithstanding anything to the contrary in this Agreement, to the extent Executive becomes eligible for accelerated vesting under Section 4(c) as a result of Executive’s removal from the position of Chief Financial Officer for other than Cause or a Change in Control, (i) the Company shall deliver the Release to Executive within ten (10) business days following Executive’s removal from such position or such Change in Control, and the Company’s failure to deliver a Release prior to the expiration of such ten (10) business day period shall constitute a waiver of any requirement to execute a Release and (ii) if Executive fails to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes Executive’s acceptance of the Release thereafter, Executive shall not be entitled to accelerated vesting. For purposes of this Section 11(b), “Release Expiration Date” shall mean the date that is twenty-one (21) days following the date upon which the Company timely delivers the Release to Executive, or, in the event that Executive’s termination of employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date.

**12.** Employee Acknowledgement. Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive’s own judgment.

*[Signature Page Follows]*

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IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date and year first above written.

**UNITY BIOTECHNOLOGY, INC.**

By:         /s/ Anirvan Ghosh                                

Name: Anirvan Ghosh

Title: Chief Executive Officer

**EXECUTIVE**

By:         /s/ Lynne Sullivan                                

Name: Lynne Sullivan

Address:

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## **EXHIBIT A**

### **Board Services**

1. BiomX
    - Board Member
    - Chair of Audit Committee
  
  2. Inozyme Pharma
    - Board Member
  
  3. ResTORbio,
    - Board Member
    - Chair of Audit Committee
  
  4. Solid Bioscience
    - Board Member
    - Chair of Audit Committee
-

**EXHIBIT B**

**Confidentiality Agreement**

Omitted pursuant to Item 601(a)(5) of Regulation S-K

## UNITY BIOTECHNOLOGY, INC.

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

This Amended and Restated Employment Agreement (the “Agreement”), entered into as of September 1, 2020 (the “Effective Date”), is made by and between Unity Biotechnology, Inc., a Delaware corporation (the “Company”) and Lynne Sullivan (“Executive” and, together with the Company, the “Parties”) and amends and restates in its entirety that certain Employment Agreement entered into between the Parties as of August 1, 2020 (the “Prior Agreement”), which, in turn, superseded in its entirety that certain offer letter by and between Executive and the Company dated as of July 27, 2020 (“Offer Letter”).

**WHEREAS**, the Company desires to assure itself of the continued services of Executive by engaging Executive to perform services as an employee of the Company under the terms hereof;

**WHEREAS**, Executive desires to provide continued services to the Company on the terms herein provided; and

**WHEREAS**, the Parties desire to execute this Agreement to supersede the Prior Agreement in its entirety effective as of the Effective Date.

**NOW, THEREFORE**, in consideration of the foregoing, and for other good and valuable consideration, including the respective covenants and agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

**1. Employment.**

(a) **General.** The Company shall continue employ Executive upon the terms and conditions provided herein effective as of the Effective Date.

(b) **Position and Duties.** Effective on the Effective Date, Executive: (i) shall serve as the Company’s Chief Financial Officer, with responsibilities, duties, and authority usual and customary for such position, subject to direction by the Company’s Chief Executive Officer (the “CEO”); (ii) shall continue to report directly to the CEO; and (iii) agrees promptly and faithfully to comply with all present and future policies, requirements, rules and regulations, and reasonable directions and requests, of the Company in connection with the Company’s business. At the Company’s request, Executive shall serve the Company and/or its subsidiaries and affiliates in such other capacities in addition to the foregoing as the Company shall designate, provided that such additional capacities are consistent with Executive’s position as the Company’s Chief Financial Officer. In the event that Executive serves in any one or more of such additional capacities, Executive’s compensation shall not automatically be increased on account of such additional service.

(c) **Performance of Executive’s Duties.** During Executive’s employment with the Company, and except for periods of illness, vacation, disability, or reasonable leaves of absence or as discussed in Section 1(e) below, Executive shall devote Executive’s full time and attention to the business and affairs of the Company pursuant to the general direction of the CEO. The rights of Executive under this Agreement shall not be affected by any change in the title, duties, or capacity of Executive during Executive’s employment with the Company.

(d) Principal Office. During the COVID-19 health pandemic, Executive will work exclusively from her home in Sudbury, Massachusetts. When the COVID-19 health pandemic has resolved, Executive will travel to the Company headquarters in South San Francisco, California approximately once per month.

(e) Exclusivity. Except with the prior written approval of the CEO (which the CEO may grant or withhold in the CEO's sole and absolute discretion), Executive shall devote substantially all of Executive's working time, attention, and energies to the business of the Company, except during any paid vacation or other excused absence periods. Nothing in this section prevents Executive from engaging in additional activities in connection with personal investments and community affairs. Executive may also serve as a member of the board of directors or board of advisors of another organization provided (i) such organization is not a competitor of the Company; (ii) Executive receives prior written approval from the CEO; and (iii) such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement, violate the Company's standards of conduct then in effect, or raise a conflict under the Company's conflict of interest policies.

2. Term. The period of Executive's employment under this Agreement shall commence on the Effective Date and shall continue until Executive's employment with the Company is terminated pursuant to Section 5 below. The phrase "Term of Employment" as used in this Agreement shall refer to the entire period of employment of Executive by the Company.

3. **Compensation and Related Matters**.

(a) Annual Base Salary. During the Term of Employment, Executive shall receive a base salary at the rate of \$400,000 per annum (as may be increased from time to time, the "Annual Base Salary"), subject to withholdings and deductions, which shall be paid to Executive in accordance with the customary payroll practices and procedures of the Company. Such Annual Base Salary shall be reviewed by the CEO and, as applicable, the Board of Directors of the Company (the "Board") and/or the Compensation Committee of the Board, not less than annually.

(b) Annual Bonus. Executive shall be eligible to receive a discretionary annual bonus based on Executive's achievement of performance objectives as mutually agreed between Executive and the CEO and as approved by the Board and/or the Compensation Committee of the Board, such bonus to be targeted at forty percent (40%) of Executive's Annual Base Salary (the "Annual Bonus"). Executive's Annual Bonus for 2020 shall be pro-rated for the partial year of service based on the number of days Executive was employed by the Company during 2020. Any Annual Bonus approved by the Board and/or the Compensation Committee of the Board shall be paid at the same time annual bonuses are paid to other executives of the Company generally, subject to Executive's continuous employment through the date of approval.

(c) Benefits. Executive shall be entitled to participate in such employee and executive benefit plans and programs as the Company may from time to time offer to provide to its executives, subject to the terms and conditions of such plans. Notwithstanding the foregoing, nothing herein is intended, or shall be construed, to require the Company to institute or continue any, or any particular, plan or benefit.

(d) Business Expenses. The Company shall reimburse Executive for all reasonable, documented, out-of-pocket travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as are in effect from time to time.

(e) Vacation. Executive will be entitled to paid vacation in accordance with the Company's vacation policy.

4. **Equity Awards.**

(a) Existing Stock Option Grant. As of the Effective Date, Executive holds an option (the "Option") to purchase 240,000 shares of Company common stock that was granted pursuant to the Company's 2018 Incentive Award Plan, as amended (the "Plan") and is unvested as to all of the shares subject there to as of the Effective Date. The Option shall vest and become exercisable as to twenty-five percent (25%) of the total number of shares of Company common stock underlying the Option on August 1, 2021 and thereafter as to 1/48<sup>th</sup> of the total number of shares of Company common stock underlying the Option on each monthly anniversary thereof, in each case, subject to Executive's continued employment through the applicable vesting date. The Option is otherwise subject to the terms and conditions of the Plan and an agreement entered into between the Parties to evidence the Option (the "Option Agreement"). In the event of any conflict between the terms of the Plan or the Option Agreement and the terms of this Agreement, the terms of this Agreement shall control.

(b) Future Equity Awards. Executive shall be eligible for such additional stock options and equity awards as may be determined by the Board and/or the Compensation Committee of the Board, in their discretion.

5. **Termination.**

(a) At-Will Employment. The Company and Executive acknowledge that Executive's employment is and shall continue to be at-will, as defined under applicable law. This means that it is not for any specified period of time and can be terminated by Executive or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that Executive's job duties, title, and responsibility and reporting level, work schedule, compensation, and benefits, as well as the Company's personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company (subject to any ramification such changes may have under Section 6 of this Agreement). This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized officer of the Company. If Executive's employment terminates for any lawful reason, Executive shall not be entitled to any payments, benefits, damages, award, or compensation other than as provided in this Agreement.

(b) Notice of Termination. During the Term of Employment, any termination of Executive's employment by the Company or by Executive (other than by reason of death) shall be communicated by written notice (a "Notice of Termination") from one Party hereto to the other Party hereto (i) indicating the specific termination provision in this Agreement relied upon, if any, (ii) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (iii) specifying the Date of Termination (as defined below). The failure by the Company to set forth in the Notice of Termination all of the facts and circumstances which contribute to a showing of Cause (as defined below) shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing their rights hereunder.

(c) Termination Date. For purposes of this Agreement, "Date of Termination" shall mean the date of the termination of Executive's employment with the Company specified in a Notice of Termination.

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and board memberships, if any, then held with the Company or any of its affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

6. Consequences of Termination.

(a) Payments of Accrued Obligations upon all Terminations of Employment. Upon a termination of Executive's employment for any reason, Executive (or Executive's estate or legal representative, as applicable) shall be entitled to receive, within thirty (30) days after Executive's Date of Termination (or such earlier date as may be required by applicable law): (i) any portion of Executive's Annual Base Salary earned through Executive's Date of Termination not theretofore paid, (ii) any expenses owed to Executive under Section 3(d) above, (iii) any accrued but unused paid time-off owed to Executive, (iv) any Annual Bonus approved by the Board or the Compensation Committee of the Board on or prior to the Date of Termination but unpaid as of the Date of Termination, and (v) any amount arising from Executive's participation in, or benefits under, any employee benefit plans, programs, or arrangements under Section 3(c) above, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs, or arrangements. Except as otherwise set forth in Section 6(b) below, the payments and benefits described in this Section 6(a) shall be the only payments and benefits payable in the event of Executive's termination of employment for any reason.

(b) Severance Payments upon Termination Without Cause or For Good Reason.

(i) Termination Other than During a Change in Control Period. If, during the Term of Employment but outside the period beginning three months prior to and ending 18 months following a Change in Control (such period, a "Change in Control Period"), Executive's employment is terminated by the Company without Cause or Executive resigns for Good Reason, then, in addition to the payments and benefits described in Section 6(a) above and subject to Executive's delivery to the Company of a waiver and release of claims agreement in a form approved by the Company that becomes effective and irrevocable in accordance with Section 11(d) hereof (a "Release"):

(A) During the nine-month period commencing on the Date of Termination (the "Severance Period"), the Company shall continue to pay Executive the Executive's Annual Base Salary, such payment to be made in accordance with the Company's regular payroll procedures, with the first such installment to occur on the first payroll date following the date the Release becomes effective and irrevocable or as otherwise provided in Section 11(d) hereof and inclusive of any installments that would have been made had the Release been immediately effective and irrevocable.

(B) During the period commencing on the Date of Termination and ending on the last day of the Severance Period or, if earlier, the date on which Executive becomes eligible for comparable replacement coverage under a subsequent employer's group health plan (in any case, the "COBRA Period"), subject to Executive's valid election to continue healthcare coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder, the Company shall, in its sole discretion, either (x) continue to provide to Executive and Executive's dependents, at the Company's sole expense, or (y) reimburse Executive and Executive's dependents for coverage under its group health plan (if any) at the same levels in effect on the Date of

Termination; provided, however, that if (1) any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the continuation coverage period to be, exempt from the application of Section 409A under Treasury Regulation Section 1.409A-1(a)(5), (2) the Company is otherwise unable to continue to cover Executive or Executive's dependents under its group health plans, or (3) the Company cannot provide the benefit without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then, in any such case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments over the COBRA Period (or remaining portion thereof).

(ii) Termination During a Change in Control Period. If, during the Term of Employment and during a Change in Control Period, Executive's employment is terminated by the Company without Cause or Executive resigns for Good Reason, then, in addition to the payments and benefits described in Section 6(a) above and subject to Executive's delivery to the Company of a Release that becomes effective and irrevocable in accordance with Section 11(d) hereof:

(A) The Company shall pay to Executive an amount equal to the sum of (i) Executive's Annual Base Salary and (ii) Executive's target Annual Bonus. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release becomes effective and irrevocable or as otherwise provided in Section 11(d) hereof.

(B) During the period commencing on the Date of Termination and ending on the first anniversary thereof or, if earlier, the date on which Executive becomes eligible for comparable replacement coverage under a subsequent employer's group health plan (in any case, the "CiC COBRA Period"), subject to Executive's valid election to continue healthcare coverage under Section 4980B of the Code and the regulations thereunder, the Company shall, in its sole discretion, either (x) continue to provide to Executive and Executive's dependents, at the Company's sole expense, or (y) reimburse Executive and Executive's dependents for coverage under its group health plan (if any) at the same levels in effect on the Date of Termination; *provided, however*, that if (1) any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the continuation coverage period to be, exempt from the application of Section 409A under Treasury Regulation Section 1.409A-1(a)(5), (2) the Company is otherwise unable to continue to cover Executive or Executive's dependents under its group health plans, or (3) the Company cannot provide the benefit without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then, in any such case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments over the CiC COBRA Period (or remaining portion thereof).

(C) The Company shall cause any unvested equity awards, including any stock options, restricted stock awards and any such awards subject to performance-based vesting, held by Executive as of the Date of Termination, to become fully vested and, if applicable, exercisable, and cause all restrictions and rights of repurchase on such awards to lapse with respect to all of the shares of the Company's Common Stock subject thereto.

(c) No Other Severance. The provisions of this Section 6 shall supersede in their entirety any severance payment provisions in any severance plan, policy, program, or other arrangement maintained by the Company except as otherwise approved by the Board.

(d) No Requirement to Mitigate; Survival. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or in any other manner. Notwithstanding anything to the contrary in this Agreement, the termination of Executive's employment shall not impair the rights or obligations of any Party.

(e) Definition of Cause. For purposes hereof, "Cause" shall mean any one of the following: (i) Executive's material violation of any applicable material law or regulation respecting the business of the Company; (ii) Executive's conviction of, or plea of *nolo contendere* to, a felony or other crime involving moral turpitude; (iii) any act of dishonesty, fraud, or misrepresentation in relation to Executive's duties to the Company which act is materially and demonstrably injurious to the Company; (iv) Executive's willful and repeated failure to perform in any material respect Executive's duties hereunder after fifteen (15) days' notice and an opportunity to cure such failure and a reasonable opportunity to present to the Board Executive's position regarding any dispute relating to the existence of such failure (other than on account of disability); (v) Executive's failure to attempt in good faith to implement a clear and reasonable directive from the CEO or to comply with any of the Company's policies and procedures which failure is either material or occurs after written notice from the CEO; (vi) any act of gross misconduct which is materially and demonstrably injurious to the Company; or (vii) Executive's breach of fiduciary duty owed to the Company.

(f) Definition of Change in Control. For purposes of this Agreement, "Change in Control" shall mean (i) the acquisition by any person or group of affiliated or associated persons of more than fifty percent (50%) of the outstanding capital stock of the Company or voting securities representing more than fifty percent (50%) of the total voting power of outstanding securities of the Company; (ii) the consummation of a sale of all or substantially all of the assets of the Company to a third party; (iii) the consummation of any merger involving the Company in which, immediately after giving effect to such merger, less than a majority of the total voting power of outstanding stock of the surviving or resulting entity is then "beneficially owned" (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) in the aggregate by the stockholders of the Company, as applicable, immediately prior to such merger. For the avoidance of doubt and notwithstanding anything herein to the contrary, in no event shall a transaction constitute a "Change in Control" if: (w) its sole purpose is to change the state of the Company's incorporation; (x) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; (y) it is effected primarily for the purpose of financing the Company with cash (as determined by the Board without regard to whether such transaction is effectuated by a merger, equity financing, or otherwise); or (z) it constitutes, or includes sales of shares in connection with, the initial public offering of the Company's capital stock. Notwithstanding the foregoing, a "Change in Control" must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5).

(g) Definition of Good Reason. For purposes hereof, "Good Reason" shall mean any one of the following: (i) the material reduction of Executive's base salary or target annual performance bonus, (ii) the assignment to Executive of any duties materially and negatively inconsistent in any respect of Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or any other action by the Company which results in a material diminution in such position, authority, duties or responsibilities (including without limitation a requirement to report to any person or entity other than the CEO or the Board); or (iii) the Company's material breach of this Agreement, *provided*, that, in each case, Executive will not be deemed to have Good Reason unless (1) Executive first provides the Company with written notice of the condition giving rise to Good Reason within thirty (30) days of its



initial occurrence, (2) the Company or the successor company fails to cure such condition within thirty (30) days after receiving such written notice (the “Cure Period”), and (3) Executive’s resignation based on such Good Reason is effective within thirty (30) days after the expiration of the Cure Period.

7. **Assignment and Successors.** The Company shall assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise). This Agreement shall be binding upon and inure to the benefit of the Company, Executive, and their respective successors, assigns, personnel, and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive’s rights or obligations may be assigned or transferred by Executive, other than Executive’s rights to payments hereunder, which may be transferred only by will, operation of law, or as otherwise provided herein.

8. **Miscellaneous Provisions.**

(a) **Confidentiality Agreement.** Executive shall continue to be obligated by the At-Will Employment, Confidential Information, Invention and Assignment, and Arbitration Agreement entered into with the Company in connection with the Prior Agreement (the “Confidentiality Agreement”). The Confidentiality Agreement shall survive the termination of this Agreement and Executive’s employment with the Company for the applicable period(s) set forth therein. Notwithstanding the foregoing, in the event of any conflict between the terms of the Confidentiality Agreement and the terms of this Agreement, the terms of this Agreement shall prevail.

(b) **Non-Solicitation of Employees.** For a period of one (1)-year following Executive’s Date of Termination, Executive shall not, either directly or indirectly (i) solicit for employment by any individual, corporation, firm, or other business, any employees, consultants, independent contractors, or other service providers of the Company or any of its affiliates, or (ii) solicit any employee or consultant of the Company or any of its affiliates to leave the employment or consulting of or cease providing services to the Company or any of its affiliates; *provided, however*, that the foregoing clauses (i) and (ii) shall not apply to a general advertisement or solicitation (or any hiring pursuant to such advertisement or solicitation) that is not specifically targeted to such employees or consultants.

(c) **Governing Law.** This Agreement shall be governed, construed, interpreted, and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the State of California, without giving effect to any principles of conflicts of law, whether of the State of California or any other jurisdiction, and where applicable, the laws of the United States, that would result in the application of the laws of any other jurisdiction.

(d) **Validity.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(e) **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile shall be deemed effective for all purposes.

(f) **Entire Agreement.** The terms of this Agreement, together with the Confidentiality Agreement, are intended by the Parties to be the final expression of their agreement with respect to the employment of Executive by the Company and supersede all prior understandings and agreements, whether written or oral, regarding Executive’s service to the Company, including without limitation, the Prior Agreement and the Offer Letter. The Parties further intend that this Agreement, together with the Confidentiality Agreement, shall constitute the complete and exclusive statement of their terms and that no

extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement or the Confidentiality Agreement. Notwithstanding the foregoing, in the event of any conflict between the terms of the Confidentiality Agreement and the terms of this Agreement, the terms of this Agreement shall prevail.

**(g)** Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by Executive and a duly authorized representative of the Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company, as applicable, may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided, however*, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

**(h)** Dispute Resolution. Executive and the Company affirm the Parties' obligations under Section 12 of the Confidentiality Agreement and hereby agree that any dispute, claim or controversy arising under this Agreement shall be subject to Section 12 of the Confidentiality Agreement as a dispute, claim or controversy arising from, relating to or resulting from Executive's employment.

**(i)** Enforcement. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

**(j)** Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local, or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

**(k)** Whistleblower Protections and Trade Secrets. Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (i) Executive shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (x) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (y) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

9. **Prior Employment.** Executive represents and warrants that Executive's acceptance of employment with the Company has not breached, and the performance of Executive's duties hereunder will not breach, any duty owed by Executive to any prior employer or other person. Executive further represents and warrants to the Company that (a) the performance of Executive's obligations hereunder will not violate any agreement between Executive and any other person, firm, organization, or other entity; (b) Executive is not bound by the terms of any agreement with any previous employer or other party to refrain from competing, directly or indirectly, with the business of such previous employer or other party that would be violated by Executive entering into this Agreement and/or providing services to the Company pursuant to the terms of this Agreement; and (c) Executive's performance of Executive's duties under this Agreement will not require Executive to, and Executive shall not, rely on in the performance of Executive's duties or disclose to the Company or any other person or entity or induce the Company in any way to use or rely on any trade secret or other confidential or proprietary information or material belonging to any previous employer of Executive.

10. **Golden Parachute Excise Tax.**

(a) **Best Pay.** Any provision of this Agreement to the contrary notwithstanding, if any payment or benefit Executive would receive from the Company pursuant to this Agreement or otherwise ("Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment will be equal to the Reduced Amount (as defined below). The "Reduced Amount" will be either (A) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (B) the entire Payment, whichever amount after taking into account all applicable federal, state, and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (A) of the preceding sentence, the reduction shall occur in the manner (the "Reduction Method") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "Pro Rata Reduction Method"). Notwithstanding the foregoing, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A (as defined below) that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (1) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (2) as a second priority, Payments that are contingent on future events (e.g., being terminated without cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (3) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

(b) **Accounting Firm.** The accounting firm engaged by the Company for general tax purposes as of the day prior to the Change in Control will perform the calculations set forth in Section 10(a) above. If the firm so engaged by the Company is serving as the accountant or auditor for the acquiring company, the Company will appoint a nationally recognized accounting firm to make the determinations required hereunder. The Company will bear all expenses with respect to the determinations by such firm required to be made hereunder. The accounting firm engaged to make the determinations hereunder will provide its calculations, together with detailed supporting documentation, to the Company within thirty (30) days before the consummation of a Change in Control (if requested at that time by the Company) or

such other time as requested by the Company. If the accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it will furnish the Company with documentation reasonably acceptable to the Company that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder will be final, binding and conclusive upon the Company and Executive.

**11. Section 409A.**

**(a) General.** The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, ("Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If Executive notifies the Company that Executive has received advice of tax counsel of a national reputation with expertise in Section 409A that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefor) or the Company independently makes such determination, the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, *provided* that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

**(b) Separation from Service.** Notwithstanding any provision to the contrary in this Agreement: (i) no amount that constitutes "deferred compensation" under Section 409A shall be payable pursuant to Section 6(b) above unless the termination of Executive's employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations ("Separation from Service"); (ii) for purposes of Section 409A, Executive's right to receive installment payments shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes "deferred compensation" under Section 409A, such reimbursement or benefit shall be provided no later than December 31<sup>st</sup> of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year.

**(c) Specified Employee.** Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of Executive's Separation from Service with the Company or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

**(d) Release.** Notwithstanding anything to the contrary in this Agreement, to the extent that any payments due under this Agreement as a result of Executive's termination of employment are subject to Executive's execution and delivery of a Release, (i) the Company shall deliver the Release to

Executive within ten (10) business days following Executive's Date of Termination, and the Company's failure to deliver a Release prior to the expiration of such ten (10) business day period shall constitute a waiver of any requirement to execute a Release, (ii) if Executive fails to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes Executive's acceptance of the Release thereafter, Executive shall not be entitled to any payments or benefits otherwise conditioned on the Release, and (iii) in any case where Executive's Date of Termination and the Release Expiration Date fall in two separate taxable years, any payments required to be made to Executive that are conditioned on the Release and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes of this Section 11(d), "Release Expiration Date" shall mean the date that is twenty-one (21) days following the date upon which the Company timely delivers the Release to Executive, or, in the event that Executive's termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of Executive's termination of employment are delayed pursuant to this Section 11(d), such amounts shall be paid in a lump sum on the first payroll date following the date that Executive executes and does not revoke the Release (and the applicable revocation period has expired) or, in the case of any payments subject to Section 11(d)(iii), on the first payroll period to occur in the subsequent taxable year, if later.

- 12. Employee Acknowledgement.** Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date and year first above written.

**UNITY BIOTECHNOLOGY, INC.**

By: /s/ Anirvan Ghosh

Name: Anirvan Ghosh

Title: Chief Executive Officer

**EXECUTIVE**

By: /s/ Lynne Sullivan

Name: Lynne Sullivan

Address:

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**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anirvan Ghosh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unity Biotechnology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

By: \_\_\_\_\_ /s/ Anirvan Ghosh  
**Anirvan Ghosh, Ph.D.**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynne Sullivan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unity Biotechnology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

By: \_\_\_\_\_ /s/ Lynne Sullivan  
**Lynne Sullivan**  
**Chief Financial Officer**  
**(Principal Financial and Accounting Officer)**



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Unity Biotechnology, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anirvan Ghosh, Chief Executive Officer of the Company, and Lynne Sullivan, Chief Financial Officer of the Company, do each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 4, 2020

By: \_\_\_\_\_  
/s/ Anirvan Ghosh  
**Anirvan Ghosh, Ph.D.**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

Date: November 4, 2020

By: \_\_\_\_\_  
/s/ Lynne Sullivan  
**Lynne Sullivan**  
**Chief Financial Officer**  
**(Principal Financial and Accounting Officer)**